

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name COUNTY OF IONIA	County IONIA
Audit Date 12/31/04	Opinion Date 6/9/05	Date Accountant Report Submitted to State: 8/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).	✓		

Certified Public Accountant (Firm Name) LAYTON AND RICHARDSON P.C.			
Street Address 1000 COOLIDGE ROAD		City EAST LANSING	State MI
Accountant Signature <i>Granda J. Selman CPA</i>		ZIP 48823	Date 8/15/05

IONIA COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
AND
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Ionia County
Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Ionia, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Ionia, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Ionia County Road Commission. The Ionia County Road Commission represents 42% of the assets and 93% of the revenues of the component unit fund type.

Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ionia County Road Commission is based solely on the report of the other auditor.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Ionia, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and the required supplementary information on pages 3 through 9 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Ionia, Michigan's basic financial statements. The accompanying introductory section, supplemental financial information, and statistical section are for purposes of additional analysis and are not a required part of the basic financial statements. We have issued, in a separate letter dated June 9, 2005, a schedule of expenditures of federal awards for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and it is also not a required part of the basic financial statements of the Ionia County, Michigan. The supplemental financial information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2005 on our consideration of the County of Ionia, Michigan's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report considering the results of our audit.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
June 9, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Ionia, we offer this narrative overview and analysis of the financial activities of the County of Ionia for the fiscal year ended December 31, 2004. The purpose of this overview and discussion is to provide a narrative insight into the financial structure and position of the County of Ionia. This Discussion and Analysis should be read in conjunction with the financial statements contained herein.

HIGHLIGHTS

Financial Highlights

- * Total Net Assets equal \$13,819,956, a decrease of 18.63 percent over 2003.
- * Total Outstanding Debt is \$10,871,853, an increase of 52 percent over 2003.

USING THIS REPORT

As stated above, this discussion and analysis is intended to serve as an introduction to the County of Ionia basic financial statements. The basic financial statements have three components: *Government-Wide Financial Statements*; *Fund Financial Statements*; and *Notes to the Financial Statements*. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

Government-Wide Financial Statements are intended to report information about the County as a whole using accounting methods similar to those used in the private sector. The *Government-Wide Financial Statements* are used to provide a long-term view of the financial stability of the County and are divided into the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* includes all of the County of Ionia's Assets and Liabilities. The difference between Assets and Liabilities is reported as Net Assets. Over time, increases or decreases in Net Assets may serve as a useful indicator of the financial position of the County of Ionia.

The *Statement of Activities* provides summary information regarding the revenue and expenses relating to specific programs within the County of Ionia.

Both of the *Government-Wide Financial Statements* distinguish functions of Ionia County that are principally supported by taxes and intergovernmental revenues (*Governmental-Type Activities*) or from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-Type Activities*). The Governmental-Type Activities for Ionia County are combined into program areas such as Legislative, Judicial, General Government, Public Safety, Health & Welfare, and Other Activities. The Business-Type Activities include the Delinquent Tax Revolving Fund and the County Airport Fund, both of which are Enterprise Funds.

The Government-Wide Financial Statements include not only the activities for the County of Ionia, but also two legally separate entities, the Ionia County Road Commission and County Drains, for which the

County of Ionia is financially accountable. These activities are known as *Component Units*, because they are reported in the County of Ionia financial statements, but are not combined with total figures for County finances.

Fund Financial Statements

A *Fund* is used to group related accounts to maintain control over resources that have been segregated for specific activities or objectives. Ionia County, as with other state and local units of government, uses fund accounting to control and manage resources for particular purposes and to ensure compliance with finance-related legal requirements. All of the Funds of Ionia County can be grouped into three categories: *Governmental Funds*, *Proprietary Funds*, and *Fiduciary Funds*.

Governmental Funds: *Governmental Funds* are used to account for a majority of the basic services provided by the County, essentially those same functions reported as Governmental Activities under the Government-Wide Financial Statements. The Governmental Fund Financial Statements, however, focus on the short-term financial position, such as how cash and assets can be converted into cash flow and what balances remain at the end of a fiscal year for spending.

Because the focus of governmental funds is narrower than that of the *Government-Wide Financial Statements*, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *Governmental Activities* in the *Government-Wide Financial Statements*. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The County of Ionia maintains 22 individual *Governmental Funds*. The General Fund is the primary fund used to account for activities of the County of Ionia. Other major governmental funds include the Public Health Fund and the Central Dispatch Fund. The remaining governmental funds are combined and reported in the Government-Wide Financial Statements as Other Governmental Funds. Of special note is that activities for the operation of Parks & Recreation, Friend of the Court, Resource Recovery, Building Inspector, Commission on Aging, and Courts Security are contained within the Other Governmental Funds.

The County of Ionia adopts an annual budget for its General Fund, Special Revenue Funds and the Airport Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds: The County of Ionia maintains two different types of proprietary funds: *Enterprise and Internal Service*. *Enterprise Funds* are used to report the same functions presented as *Business-Type Activities* in the Government-Wide Financial Statements. The County of Ionia uses enterprise funds to account for its Delinquent Tax Revolving and Airport activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County of Ionia uses no *Internal Service Funds*.

Fiduciary Funds: *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the County of Ionia's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL INFORMATION AND ANALYSIS

As noted earlier, Net Assets may serve over time as a useful indicator of a government's financial position. The following schedule is a summary presentation of Ionia County's Assets, Liabilities, and Net Assets at December 31, 2004. This schedule shows that the County's Assets exceeded liabilities by \$13 million as of the end of 2004. This represents an 18 percent decrease from 2003.

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2003	2004	2003	2004	2003	2004	
Assets							
<i>Current Assets</i>							
Cash	\$ 3,446,543	\$ 3,938,359	\$ 1,590,320	\$ 969,171	\$ 5,036,863	\$ 4,907,530	-2.57%
Investments	\$ -	\$ -	\$ 4,918,849	\$ 5,567,081	\$ 4,918,849	\$ 5,567,081	13.18%
Other Current Assets	\$ 7,360,501	\$ 7,148,660	\$ 855,133	\$ 908,494	\$ 8,215,634	\$ 8,057,154	-1.93%
<i>Non-Current Assets</i>							
Fixed (Capital) Assets	\$ 6,047,387	\$ 6,097,593	\$ 1,505,624	\$ 1,390,255	\$ 7,553,011	\$ 7,487,848	-0.86%
Other Non-Current Assets	\$ 63,000	\$ 63,000	\$ -	\$ -	\$ 63,000	\$ 63,000	0.00%
Total Assets	\$ 16,917,431	\$ 17,247,612	\$ 8,869,926	\$ 8,835,001	\$ 25,787,357	\$ 26,082,613	1.14%
Liabilities							
<i>Current Liabilities</i>	\$ 1,579,598	\$ 1,387,179	\$ 3,514	\$ 3,625	\$ 1,583,112	\$ 1,390,804	-12.15%
<i>Non-Current Liabilities</i>							
Bonds & Notes Payable	\$ 6,540,000	\$ 10,115,000	\$ -	\$ -	\$ 6,540,000	\$ 10,115,000	54.66%
Accrued Sick & Vacation Pay	\$ 679,512	\$ 756,853	\$ -	\$ -	\$ 679,512	\$ 756,853	11.38%
Total Liabilities	\$ 8,799,110	\$ 12,259,032	\$ 3,514	\$ 3,625	\$ 8,802,624	\$ 12,262,657	39.31%
Net Assets							
Invested in capital, Net of Debt	\$ (1,112,613)	\$ (4,642,407)	\$ 1,505,624	\$ 1,390,255	\$ 393,011	\$ (3,252,152)	-927.50%
Restricted	\$ -	\$ -	\$ 679,880	\$ -	\$ 679,880	\$ -	-100.00%
Unrestricted	\$ 9,230,934	\$ 9,630,987	\$ 6,680,908	\$ 7,441,121	\$ 15,911,842	\$ 17,072,108	7.29%
Total Net Assets	\$ 8,118,321	\$ 4,988,580	\$ 8,866,412	\$ 8,831,376	\$ 16,984,733	\$ 13,819,956	-18.63%

The largest share of the County of Ionia's Assets was in Cash and Investments. During the course of 2004, a large portion of Ionia County's cash was converted to investments, which grew by 13 percent. Other Current Assets consist mainly of \$6.7 million in Taxes Receivable, which make up 26 percent of Total Assets, while Fixed, or Capital, Assets (such as land, buildings, machinery and equipment), make up 28 percent of Total Assets at \$7.4 million total. Total Assets grew by a modest 1.14% during 2004.

Bonds and Notes Payable consist of a majority (82 percent) of the County's liabilities. These outstanding Bonds and Notes Payable are described in more detail in the Notes section of the audit report. During 2004, the County of Ionia experienced a significant increase in Bonds and Notes Payable (a 54 percent increase) because the County used its financial strength to leverage bonds through its Board of Public Works for infrastructure projects for the City of Ionia.

A further breakdown of the County of Ionia's \$13.8 million in Net Assets, and the change in Net Assets during 2004, is shown in the following table. During the reporting period, the County experienced an 18.6 percent decrease in total assets (factoring in prior period adjustments).

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2003	2004	2003	2004	2003	2004	
Revenue:							
Program Revenue							
Charges for Services	\$ 4,886,332	\$ 5,121,267	\$ 279,215	\$ 216,880	\$ 5,165,547	\$ 5,338,147	3.34%
Operating Grants & Contributions	\$ 3,774,441	\$ 5,308,725	\$ -	\$ -	\$ 3,774,441	\$ 5,308,725	40.65%
Capital Grants & Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
General Revenue							
Property Taxes	\$ 5,240,582	\$ 4,641,620	\$ -	\$ -	\$ 5,240,582	\$ 4,641,620	-11.43%
Other	\$ 3,094,296	\$ 1,443,732	\$ 594,579	\$ 358,812	\$ 3,688,875	\$ 1,802,544	-51.14%
Total Revenue	\$ 16,995,651	\$ 16,515,344	\$ 873,794	\$ 575,692	\$ 17,869,445	\$ 17,091,036	-4.36%
Expenses:							
Legislative	\$ 80,666	\$ 78,610			\$ 80,666	\$ 78,610	-2.55%
Judicial	\$ 2,611,079	\$ 2,896,122			\$ 2,611,079	\$ 2,896,122	10.92%
General Government	\$ 2,338,877	\$ 2,583,261			\$ 2,338,877	\$ 2,583,261	10.45%
Public Safety	\$ 4,642,210	\$ 4,730,922			\$ 4,642,210	\$ 4,730,922	1.91%
Health & Welfare	\$ 3,452,641	\$ 3,763,503			\$ 3,452,641	\$ 3,763,503	9.00%
Other	\$ 2,997,350	\$ 5,697,629			\$ 2,997,350	\$ 5,697,629	90.09%
Interest on Long-Term Debt	\$ 192,042	\$ 286,853			\$ 192,042	\$ 286,853	49.37%
Delinquent Tax Revolving			\$ 31,458	\$ 48,625	\$ 31,458	\$ 48,625	54.57%
Airport			\$ 161,688	\$ 152,223	\$ 161,688	\$ 152,223	-5.85%
Total Expenses	\$ 16,314,865	\$ 20,036,900	\$ 193,146	\$ 200,848	\$ 16,508,011	\$ 20,237,748	22.59%
Increase (Decrease) before Transfers	\$ 680,786	\$ (3,521,556)	\$ 680,648	\$ 374,844	\$ 1,361,434	\$ (3,146,712)	-331.13%
Transfers	\$ 346,322	\$ 237,298	\$ (475,265)	\$ (409,880)	\$ (128,943)	\$ (172,582)	33.84%
Increase (Decrease) of Net Assets	\$ 1,027,108	\$ (3,284,258)	\$ 205,383	\$ (35,036)	\$ 1,232,491	\$ (3,319,294)	-369.32%
Net Assets, January 1	\$ 7,115,644	\$ 8,118,321	\$ 7,040,036	\$ 8,866,412	\$ 14,155,680	\$ 16,984,733	19.99%
Prior Period Adjustments	\$ (24,431)	\$ 154,517	\$ 1,620,993	\$ -	\$ 1,596,562	\$ 154,517	-90.32%
Net Assets, December 31	\$ 8,118,321	\$ 4,988,580	\$ 8,866,412	\$ 8,831,376	\$ 16,984,733	\$ 13,819,956	-18.63%

This decrease is the result of a significant reduction in revenue (4.36 percent) and a more significant increase in expenses (22.59 percent).

ANALYSIS OF INDIVIDUAL FUNDS

The County of Ionia uses fund accounting in order to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: Most governmental activities are accounted for in the General Fund, although some governmental activities, particularly those with a dedicated source of revenue, are accounted for in Special Revenue Funds.

The focus of these Governmental Funds is to provide information on near-term inflows, outflows, and balances of available resources. The County of Ionia's Governmental Fund statements break down this information in categories for the General Fund, the Public Health Fund, the Central Dispatch Fund, Other Governmental Funds, and a Total of all funds.

The chief operating fund of the County of Ionia, the General Fund, finished with a balance of \$220,887. Of this, \$157,887 is considered unreserved, which means it is available for spending at the government's discretion. A common financial management practice is to designate a portion of fund balance toward maintaining current services during unexpected, catastrophic events. A common suggested benchmark is 8 to 12 percent of expenditures (including transfers to other funds), or about one to 1½ months of services. The County of Ionia strives to maintain fund balances closer to the 16 percent range, or about 2 months of services, in most of its governmental funds. The current unreserved fund balance in the General Fund of \$157,887 represents 1.6 percent of expenditures during 2004.

The Public Health Fund finished 2004 with a balance of \$478,263. Of this, \$478,263 is unreserved, representing 34.5 percent of total expenditures. This fairly substantial fund balance is the result of General Fund appropriations during the late 90's that exceeded the needs of the fund. These appropriations accumulated within the Public Health Fund and continue to be held in that fund. During the past few years, General Fund appropriations to the Public Health fund have been greatly reduced (by more than 50 percent), while annual budgets for the fund have anticipated the use of fund balance to cover the reduced General Fund appropriation.

The Central Dispatch Fund finished 2004 with a balance of \$589,016. Of this, \$499,496 is unreserved, representing 42.6 percent of total expenditures. The major source of revenue for the Central Dispatch Fund is a 16 percent surcharge on telephones, which is renewed by voters every four years.

A total of \$3,791,112 is reported as fund balance for Other Governmental Funds. Of this, \$1,907,473 is unreserved, representing 23 percent of total expenditures. For all Governmental Funds (General, Permanent and Special Revenue), there is a \$5,079,278 million fund balance, of which \$3,043,119 million is unreserved. This represents 14.7 percent of total expenditures for all Governmental Funds, well above the 8 to 12 percent of fund balance recommended, but still two percentage points below the County's established guidelines.

Proprietary Funds: The County of Ionia's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail.

The Delinquent Tax Revolving Fund is used for the administration of delinquent tax payments to local units of government, and the collection of payments and penalties from delinquent taxpayers. The County of Ionia uses interest earned from the Delinquent Tax Revolving Fund to finance various capital and other projects. Interest is earned on the fund through investments, but also from penalties assessed to delinquent taxpayers. Typically, the County of Ionia uses audited interest earned figures from the prior year to allocate resources for the upcoming budget year.

The Airport Fund is used to maintain the Ionia County Airport. Some grant-related activity flows through the Airport Fund, such as payments to the Michigan Department of Transportation, Bureau of Aeronautics, as match money for federal/state airport improvement grants. The Ionia County Airport receives \$150,000 annually from the federal government for airport improvement projects. The County must match five percent.

BUDGET VARIANCE ANALYSIS

Significant changes to the General Fund budget include adjustments to account for the loss of State Revenue Sharing, which is distributed by the State of Michigan to local units of government through funds collected from the State Sales Tax. The County of Ionia experienced a \$612,845 loss in anticipated State Revenue Sharing funds. Another significant revenue loss was in District Court Costs, where actual revenues were \$149,463 less than anticipated.

There are no significant expenditure variances to report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The County of Ionia's investment in Fixed (Capital) Assets was \$7.487 million by the end of 2004, as shown in the following table.

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2003	2004	2003	2004	2003	2004	
Non-Depreciated Assets							
Land	\$ 331,075	\$ 331,075	\$ 210,060	\$ 210,060	\$ 541,135	\$ 541,135	0.00%
Depreciated Assets							
Buildings	\$ 6,239,784	\$ 6,243,344	\$ 177,909	\$ 177,909	\$ 6,417,693	\$ 6,421,253	0.06%
Improvements	\$ 1,274,762	\$ 1,403,925	\$ 1,707,261	\$ 1,707,261	\$ 2,982,023	\$ 3,111,186	4.33%
Machinery & Equipment	\$ 1,151,834	\$ 1,353,894	\$ 4,016	\$ 4,016	\$ 1,155,850	\$ 1,357,910	17.48%
Less: Accumulated Depreciation	\$ 2,950,068	\$ 3,234,645	\$ 593,622	\$ 708,991	\$ 3,543,690	\$ 3,943,636	11.29%
Net Capital Assets	\$ 6,047,387	\$ 6,097,593	\$ 1,505,624	\$ 1,390,255	\$ 7,553,011	\$ 7,487,848	-0.86%

The County of Ionia had \$6.5 million in outstanding debt at the end of 2004. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). The County of Ionia has been able to leverage its tax base and superior bond rating to the benefit of its local units of government, particularly the Ionia Area Sewage Disposal System, the City of Ionia, and the Ionia County Road Commission.

The County of Ionia's only outstanding obligation that is not paid by a benefiting entity is the \$565,000 Building Authority bond that was issued to construct the Health Building.

	Gross Debt Outstanding	Paid by Benefited Entity	Net Amount Outstanding
Governmental Activities			
County of Ionia SDS #1	\$ 195,000	\$ 195,000	\$ -
County of Ionia SDS #2	\$ 3,400,000	\$ 3,400,000	\$ -
Michigan State Revolving Loan Fund - SDS	\$ 2,380,000	\$ 2,380,000	\$ -
County of Ionia - Health Building	\$ 565,000	\$ -	\$ 565,000
County of Ionia - City of Ionia Water/Sewer	\$ 4,200,000	\$ 4,200,000	\$ -
County of Ionia Subtotal	\$ 10,740,000	\$ 10,175,000	\$ 565,000
Component Units			
Transportation Fund Bonds	\$ 740,000	\$ 740,000	\$ -
2002 Road Commission Installment Loan	\$ 69,024	\$ 69,024	\$ -
2003 Road Commission Installment Loan	\$ 95,603	\$ 95,603	\$ -
Various Drainage District Bonds	\$ 1,091,065	\$ 1,091,065	\$ -
Collier-Mud Creek Intercounty Drain	\$ 40,966	\$ 40,966	\$ -
Total Outstanding Debt	\$ 12,776,658	\$ 12,211,658	\$ 565,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Michigan continues to lag behind the rest of the nation in an economic recovery. Because of its location between the metropolitan areas of Grand Rapids and Lansing, Ionia County has enjoyed stable growth in its property tax collection as a result of new construction on both the east and west sides of the county.

The Michigan Legislature has also provided some stability in revenue sharing payments to counties, which amounts to approximately 10 percent of the county's General Fund, although Ionia County can only rely on this stability through 2008.

Rising costs for wages and benefits, particularly health insurance, an increased demand for services, and the need for greater court security will have significant impacts on future county budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Any questions about this report, or requests for additional financial information, may be directed to:

Ionia County Administration
Finance Department
100 West Main Street
Ionia, MI 48846

GENERAL PURPOSE FINANCIAL STATEMENTS

The Combined Statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

IONIA COUNTY, MICHIGAN
STATEMENT OF NET ASSETS - GOVERNMENT WIDE
DECEMBER 31, 2004

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash	\$ 3,938,359	\$ 969,171	\$ 4,907,530	\$ 1,680,055
Investments		5,567,081	5,567,081	
Receivables				
Taxes	5,849,171	906,502	6,755,673	
Accounts	42,133		42,133	8,383
Bond discount	61,110		61,110	
Prepaid expenses	10,434		10,434	122,593
Inventory				306,360
Due from				
Other funds	387,310		387,310	
Other governmental units	798,502	1,992	800,494	931,968
Long-term capital advance to capital project fund	8,000		8,000	
Long-term advance to enterprise fund	55,000		55,000	
Fixed assets (net of accumulated depreciation)	<u>6,097,593</u>	<u>1,390,255</u>	<u>7,487,848</u>	<u>33,832,374</u>
 TOTAL ASSETS	 \$ <u>17,247,612</u>	 \$ <u>8,835,001</u>	 \$ <u>26,082,613</u>	 \$ <u>36,881,733</u>

See accompanying notes to financial statements.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
LIABILITIES				
Current liabilities				
Payables				
Accounts	\$ 325,992	\$ 3,625	\$ 329,617	\$ 147,104
Retention				3,365
Payroll and payroll taxes	186,742		186,742	
Due to other units				40,908
Deferred revenue	94,773		94,773	
Accrued liabilities				54,326
Accrued interest	154,672		154,672	30,052
Deposits payable				345,207
Bonds and notes payable	625,000		625,000	684,003
Noncurrent liabilities				
Bonds and notes payable	10,115,000		10,115,000	1,352,655
Other long-term liabilities				22,000
Accrued sick and vacation pay	756,853		756,853	166,622
TOTAL LIABILITIES	<u>12,259,032</u>	<u>3,625</u>	<u>12,262,657</u>	<u>2,846,242</u>
NET ASSETS				
Invested in capital assets, net of related debt	(4,642,407)	1,390,255	(3,252,152)	31,795,716
Restricted				181,509
Unrestricted	9,630,987	7,441,121	17,072,108	2,058,266
TOTAL NET ASSETS	<u>4,988,580</u>	<u>8,831,376</u>	<u>13,819,956</u>	<u>34,035,491</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>17,247,612</u>	 \$ <u>8,835,001</u>	 \$ <u>26,082,613</u>	 \$ <u>36,881,733</u>

IONIA COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

		PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
	EXPENSES		
FUNCTIONS/PROGRAMS			
Primary Government			
Governmental activities			
Legislative	\$ 78,610	\$	\$
Judicial	2,896,122	1,134,667	1,342,831
General government	2,583,261	920,983	952,444
Public safety	4,730,922	2,292,032	120,188
Health and welfare	3,763,503	436,333	2,266,981
Other	5,697,629	327,253	626,281
Interest on long-term debt	286,853	9,999	
Total Governmental Activities	<u>20,036,900</u>	<u>5,121,267</u>	<u>5,308,725</u>
Business-Type Activities			
Delinquent tax revolving	48,625	183,617	
Airport	152,223	33,263	
Total Business-Type Activities	<u>200,848</u>	<u>216,880</u>	
Total Primary Government	<u>\$ 20,237,748</u>	<u>\$ 5,338,147</u>	<u>\$ 5,308,725</u>
Component Units			
Road commission	\$ 7,144,892	\$ 1,278,084	\$ 7,395,485
Drains	463,371	29,101	
Total Component Units	<u>\$ 7,608,263</u>	<u>\$ 1,307,185</u>	<u>\$ 7,395,485</u>

General Revenues
Property taxes levied for general purposes
Property taxes levied for debt service
Licenses and permits
Loss on sale of fixed assets
Miscellaneous
Unrestricted investment earnings
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, January 1

Prior Period Adjustment

Net Assets, December 31

See accompanying notes to financial statements.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
\$	\$ (78,610)	\$	\$ (78,610)	\$
	(418,624)		(418,624)	
	(709,834)		(709,834)	
	(2,318,702)		(2,318,702)	
	(1,060,189)		(1,060,189)	
	(4,744,095)		(4,744,095)	
	(276,854)		(276,854)	
	(9,606,908)		(9,606,908)	
		134,992	134,992	
		(118,960)	(118,960)	
		16,032	16,032	
\$	(9,606,908)	16,032	(9,590,876)	
\$				1,528,677
				(434,270)
\$				1,094,407
	4,641,620		4,641,620	311,266
	260,137		260,137	
	116,075		116,075	54,211
	(43,204)		(43,204)	
	958,414		958,414	234,406
	152,310	358,812	511,122	39,109
	237,298	(409,880)	(172,582)	128,899
	6,322,650	(51,068)	6,271,582	767,891
	(3,284,258)	(35,036)	(3,319,294)	1,862,298
	8,118,321	8,866,412	16,984,733	32,173,193
	154,517		154,517	
\$	4,988,580	\$ 8,831,376	\$ 13,819,956	\$ 34,035,491

IONIA COUNTY, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2004

	GENERAL	COUNTY HEALTH	E-911 CENTRAL DISPATCH	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash investments	\$ 1,225	\$ 498,268	\$ 440,229	\$ 2,998,637	\$ 3,938,359
Current and delinquent property taxes receivable	5,402,124			447,047	5,849,171
Accounts receivable	4,615	37,518			42,133
Prepaid expenses	4,083			6,351	10,434
Due from other funds	809,238	25,119		574,024	1,408,381
Due from other governmental units	211,716	610	172,575	413,601	798,502
Long-term advance to capital project fund	8,000				8,000
Long-term advance to internal service fund	55,000				55,000
TOTAL ASSETS	\$ 6,496,001	\$ 561,515	\$ 612,804	\$ 4,439,660	\$ 12,109,980
LIABILITIES					
Due to other funds	\$ 571,276	\$	\$	\$ 449,795	\$ 1,021,071
Accounts payable	95,211	56,860	7,599	166,322	325,992
Accrued payroll	117,802	26,392	13,705	28,843	186,742
Deferred revenue	5,490,825		2,484	3,588	5,496,897
TOTAL LIABILITIES	6,275,114	83,252	23,788	648,548	7,030,702
FUND BALANCE					
Reserved for long-term advances	63,000				63,000
Reserved for capital projects			89,520	1,337,669	1,427,189
Reserved for debt service				267,654	267,654
Reserved for cemetery trust				278,316	278,316
Unreserved, reported in General fund	157,887				157,887
Special revenue funds		478,263	499,496	1,240,565	2,218,324
Permanent fund				666,908	666,908
TOTAL FUND EQUITY	220,887	478,263	589,016	3,791,112	5,079,278
TOTAL LIABILITIES AND FUND EQUITY	\$ 6,496,001	\$ 561,515	\$ 612,804	\$ 4,439,660	\$ 12,109,980

See accompanying notes to financial statements.

IONIA COUNTY, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

Total fund balances-governmental funds		\$	5,079,278
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$9,332,238 and the accumulated depreciation is \$3,234,645			6,097,593
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt			61,110
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long-term liabilities at year-end consist of:			
Bonds payable	\$	10,740,000	
Accrued interest		154,672	
Contracts payable			
Compensated absences		<u>756,853</u>	(11,651,525)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds			5,402,124
Total net assets-governmental activities		\$	<u><u>4,988,580</u></u>

See accompanying notes to financial statements.

IONIA COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	GENERAL	COUNTY HEALTH	E-911 CENTRAL DISPATCH	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 5,243,478	\$	\$	\$ 707,184	\$ 5,950,662
Licenses and permits	116,075				116,075
Federal and state grants	1,700,366	862,437		2,198,313	4,761,116
Contributions from local units and private sources				547,609	547,609
Charges for services	2,300,232	345,434	1,351,072	817,198	4,813,936
Fines and forfeitures	177,935			39,947	217,882
Interest and rents	87,383		6,365	58,562	152,310
Lease income				89,450	89,450
Other	306,657		9,747	642,010	958,414
TOTAL REVENUES	<u>9,932,126</u>	<u>1,207,871</u>	<u>1,367,184</u>	<u>5,100,273</u>	<u>17,607,454</u>
EXPENDITURES					
Legislative	77,238				77,238
Judicial	2,079,179			802,792	2,881,971
General government	2,568,086			8,314	2,576,400
Public safety	3,177,136		1,171,299	407,101	4,755,536
Health and welfare	159,343	1,386,502		2,190,102	3,735,947
Capital outlay				2,979,619	2,979,619
Other	1,741,488			1,017,916	2,759,404
Debt Service					
Principal				620,000	620,000
Interest and fees				246,266	246,266
TOTAL EXPENDITURES	<u>9,802,470</u>	<u>1,386,502</u>	<u>1,171,299</u>	<u>8,272,110</u>	<u>20,632,381</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>129,656</u>	<u>(178,631)</u>	<u>195,885</u>	<u>(3,171,837)</u>	<u>(3,024,927)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds				4,150,374	4,150,374
Operating transfers in	447,047	131,436		1,028,230	1,606,713
Operating transfers out	(922,368)			(447,047)	(1,369,415)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(475,321)</u>	<u>131,436</u>		<u>4,731,557</u>	<u>4,387,672</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(345,665)</u>	<u>(47,195)</u>	<u>195,885</u>	<u>1,559,720</u>	<u>1,362,745</u>
FUND BALANCE, JANUARY 1	601,248	525,458	393,131	2,042,179	3,562,016
PRIOR PERIOD ADJUSTMENT	82,753			71,764	154,517
RESIDUAL EQUITY TRANSFER	(117,449)			117,449	
FUND BALANCE, DECEMBER 31	<u>\$ 220,887</u>	<u>\$ 478,263</u>	<u>\$ 589,016</u>	<u>\$ 3,791,112</u>	<u>\$ 5,079,278</u>

See accompanying notes to financial statements.

IONIA COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

Net changes in fund balances-total governmental funds	\$ 1,362,745
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	415,531
Less: current year depreciation	(322,121)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(1,092,110)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	
Accrued interest	(41,698)
Bond discount	1,110
Principal payments	620,000
Bond and loan proceeds	(4,150,374)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in long-term compensated absences	<u>(77,341)</u>
Change in net assets of governmental activities	<u>\$ (3,284,258)</u>

IONIA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes	\$ 5,230,000	\$ 5,230,000	\$ 5,243,478	\$ 13,478
Licenses and permits	106,000	106,000	116,075	10,075
Federal and state grants	2,058,664	2,314,944	1,700,366	(614,578)
Charges for services	2,596,281	2,547,090	2,300,232	(246,858)
Fines and forfeitures	197,000	197,000	177,935	(19,065)
Interest and rents	106,000	106,000	87,383	(18,617)
Other	<u>252,336</u>	<u>253,836</u>	<u>306,657</u>	<u>52,821</u>
TOTAL REVENUES	<u>10,546,281</u>	<u>10,754,870</u>	<u>9,932,126</u>	<u>(822,744)</u>
EXPENDITURES				
Legislative	107,875	83,175	77,238	5,937
Judicial	2,072,535	2,181,535	2,079,179	102,356
General government	2,721,912	2,670,774	2,568,086	102,688
Public safety	3,054,257	3,306,041	3,177,136	128,905
Health and welfare	228,457	242,807	159,343	83,464
Other	<u>1,602,322</u>	<u>1,808,293</u>	<u>1,741,488</u>	<u>66,805</u>
TOTAL EXPENDITURES	<u>9,787,358</u>	<u>10,292,625</u>	<u>9,802,470</u>	<u>490,155</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>758,923</u>	<u>462,245</u>	<u>129,656</u>	<u>(332,589)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in		400,000	447,047	47,047
Operating transfers out	<u>(828,123)</u>	<u>(923,552)</u>	<u>(922,368)</u>	<u>1,184</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(828,123)</u>	<u>(523,552)</u>	<u>(475,321)</u>	<u>48,231</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(69,200)	(61,307)	(345,665)	(284,358)
FUND BALANCE, JANUARY 1	601,248	601,248	601,248	
PRIOR PERIOD ADJUSTMENT			82,753	82,753
RESIDUAL EQUITY TRANSFER			<u>(117,449)</u>	<u>(117,449)</u>
FUND BALANCE, DECEMBER 31	<u>\$ 532,048</u>	<u>\$ 539,941</u>	<u>\$ 220,887</u>	<u>\$ (319,054)</u>

See accompanying notes to financial statements.

IONIA COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

COUNTY HEALTH

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Federal and state grants	\$ 828,807	\$ 828,807	\$ 862,437	\$ 33,630
Charges for services	<u>366,954</u>	<u>366,954</u>	<u>345,434</u>	<u>(21,520)</u>
TOTAL REVENUES	<u>1,195,761</u>	<u>1,195,761</u>	<u>1,207,871</u>	<u>12,110</u>
EXPENDITURES				
Health and welfare	<u>1,492,055</u>	<u>1,492,055</u>	<u>1,386,502</u>	<u>105,553</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	<u>(296,294)</u>	<u>(296,294)</u>	<u>(178,631)</u>	<u>117,663</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>296,294</u>	<u>296,294</u>	<u>131,436</u>	<u>(164,858)</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES			(47,195)	(47,195)
FUND BALANCE, JANUARY 1	<u>525,458</u>	<u>525,458</u>	<u>525,458</u>	
FUND BALANCE, DECEMBER 31	\$ <u><u>525,458</u></u>	\$ <u><u>525,458</u></u>	\$ <u><u>478,263</u></u>	\$ <u><u>(47,195)</u></u>

See accompanying notes to financial statements.

IONIA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
E-911 CENTRAL DISPATCH
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Charges for services	\$ 1,274,000	\$ 1,254,124	\$ 1,351,072	\$ 96,948
Interest and rents	3,500	3,119	6,365	3,246
Other	<u>7,000</u>	<u>7,624</u>	<u>9,747</u>	<u>2,123</u>
TOTAL REVENUES	<u>1,284,500</u>	<u>1,264,867</u>	<u>1,367,184</u>	<u>102,317</u>
EXPENDITURES				
Public safety	<u>1,147,066</u>	<u>1,246,515</u>	<u>1,171,299</u>	<u>75,216</u>
EXCESS OF REVENUES OVER EXPENDITURES	137,434	18,352	195,885	177,533
FUND BALANCE, JANUARY 1	<u>419,702</u>	<u>393,131</u>	<u>393,131</u>	
FUND BALANCE, DECEMBER 31	<u><u>\$ 557,136</u></u>	<u><u>\$ 411,483</u></u>	<u><u>\$ 589,016</u></u>	<u><u>\$ 177,533</u></u>

IONIA COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	DELIQUENT TAX REVOLVING	AIRPORT	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 941,198	\$ 27,973	\$ 969,171
Investments	5,567,081		5,567,081
Receivables			
Taxes	906,502		906,502
Due from other units	1,992		1,992
TOTAL CURRENT ASSETS	<u>7,416,773</u>	<u>27,973</u>	<u>7,444,746</u>
PROPERTY, PLANT AND EQUIPMENT			
Land and improvements		210,060	210,060
Buildings and structures		1,889,186	1,889,186
		2,099,246	2,099,246
Less: accumulated depreciation		708,991	708,991
NET PROPERTY, PLANT AND EQUIPMENT		<u>1,390,255</u>	<u>1,390,255</u>
TOTAL ASSETS	<u>\$ 7,416,773</u>	<u>\$ 1,418,228</u>	<u>\$ 8,835,001</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	\$ 3,625	\$ 3,625
NET ASSETS			
Reserved for			
Airport grant match	20,000		20,000
Capital improvements	345,880		345,880
Road Commission roadside brush cleaning	64,000		64,000
Facilities	250,000		250,000
Unreserved	6,736,893	1,414,603	8,151,496
TOTAL NET ASSETS	<u>7,416,773</u>	<u>1,414,603</u>	<u>8,831,376</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,416,773</u>	<u>\$ 1,418,228</u>	<u>\$ 8,835,001</u>

See accompanying notes to financial statements.

IONIA COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	DELIQUENT TAX REVOLVING	AIRPORT	TOTAL
OPERATING REVENUES			
Charges for services	\$ 183,617	\$ 33,263	\$ 33,263
Collection fees on delinquent taxes	<u>183,617</u>	<u>33,263</u>	<u>183,617</u>
TOTAL OPERATING REVENUES	<u>183,617</u>	<u>33,263</u>	<u>216,880</u>
OPERATING EXPENSES			
Maintenance		36,854	36,854
Operating expenses	48,625		48,625
Depreciation	<u>48,625</u>	<u>115,369</u>	<u>115,369</u>
TOTAL OPERATING EXPENSES	<u>48,625</u>	<u>152,223</u>	<u>200,848</u>
OPERATING INCOME (LOSS)	<u>134,992</u>	<u>(118,960)</u>	<u>16,032</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earned	<u>358,812</u>		<u>358,812</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>493,804</u>	<u>(118,960)</u>	<u>374,844</u>
OPERATING TRANSFERS			
Operating transfers in		20,000	20,000
Operating transfers out	<u>(429,880)</u>		<u>(429,880)</u>
TOTAL OPERATING TRANSFERS	<u>(429,880)</u>	<u>20,000</u>	<u>(409,880)</u>
NET INCOME (LOSS)	63,924	(98,960)	(35,036)
NET ASSETS, JANUARY 1	<u>7,352,849</u>	<u>1,513,563</u>	<u>8,866,412</u>
NET ASSETS, DECEMBER 31	<u>\$ 7,416,773</u>	<u>\$ 1,414,603</u>	<u>\$ 8,831,376</u>

See accompanying notes to financial statements.

IONIA COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	DELINQUENT TAX REVOLVING	AIRPORT	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 129,720	\$ 33,799	\$ 163,519
Cash payment for goods and services	<u>(48,625)</u>	<u>(36,743)</u>	<u>(85,368)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>81,095</u>	<u>(2,944)</u>	<u>78,151</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in		20,000	20,000
Operating transfers out	<u>(429,880)</u>	<u></u>	<u>(429,880)</u>
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>(429,880)</u>	<u>20,000</u>	<u>(409,880)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>358,812</u>	<u></u>	<u>358,812</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,027	17,056	27,083
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>6,498,252</u>	<u>10,917</u>	<u>6,509,169</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 6,508,279</u>	<u>\$ 27,973</u>	<u>\$ 6,536,252</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 134,992	\$ (118,960)	\$ 16,032
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation		115,369	115,369
(Increase) decrease in accounts receivable	(51,691)	536	(51,155)
(Increase) decrease in due from other units	(1,992)		(1,992)
Increase (decrease) in accounts payable	<u>(214)</u>	<u>111</u>	<u>(103)</u>
Total adjustments	<u>(53,897)</u>	<u>116,016</u>	<u>62,119</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 81,095</u>	<u>\$ (2,944)</u>	<u>\$ 78,151</u>

See accompanying notes to financial statements.

IONIA COUNTY, MICHIGAN
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
DECEMBER 31, 2004

	TRUST AND AGENCY	PAYROLL	CURRENT TAX COLLECTION	LIBRARY PENAL	TOTAL
ASSETS					
Cash and cash investments	\$ 636,914	\$ 28,759	\$ 857,722	\$ 224,558	\$ 1,747,953
Cash - restricted	<u>113,631</u>	<u>23,248</u>			<u>136,879</u>
TOTAL ASSETS	<u>\$ 750,545</u>	<u>\$ 52,007</u>	<u>\$ 857,722</u>	<u>\$ 224,558</u>	<u>\$ 1,884,832</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 220,314	\$ 28,759	\$	\$	\$ 249,073
Due to other governmental units	133,684		857,722	224,558	1,215,964
Due to State	4,379				4,379
Due to others	18,826	23,248			42,074
Due to other funds	362,191				362,191
Undistributed tax collection	<u>11,151</u>				<u>11,151</u>
TOTAL LIABILITIES	<u>\$ 750,545</u>	<u>\$ 52,007</u>	<u>\$ 857,722</u>	<u>\$ 224,558</u>	<u>\$ 1,884,832</u>

IONIA COUNTY, MICHIGAN
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	SPECIAL REVENUE	DEBT SERVICE
ASSETS		
Cash	\$ 979,049	\$ 267,654
Taxes receivable	447,047	
Due from other governmental units	413,601	
Due from other funds		
Prepaid expenses	6,351	
TOTAL ASSETS	\$ <u>1,846,048</u>	\$ <u>267,654</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to other funds	\$ 449,795	\$
Payables		
Accounts	123,257	
Payroll and payroll taxes	28,843	
Deferred revenue	3,588	
TOTAL LIABILITIES	<u>605,483</u>	
FUND BALANCE		
Reserved for capital projects		
Reserved for inventory		
perpetual care		
Reserved for debt service		267,654
Unreserved	1,240,565	
TOTAL FUND BALANCE	<u>1,240,565</u>	<u>267,654</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>1,846,048</u>	\$ <u>267,654</u>

See accompanying notes to financial statements.

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 1,337,669	\$ 414,265	\$ 2,998,637
		447,047
		413,601
	574,024	574,024
		6,351
<u>\$ 1,337,669</u>	<u>\$ 988,289</u>	<u>\$ 4,439,660</u>
\$	\$	\$ 449,795
	43,065	166,322
		28,843
		3,588
<u></u>	<u></u>	<u>648,548</u>
 	43,065	
1,337,669	278,316	1,337,669
		278,316
		267,654
	666,908	1,907,473
<u>1,337,669</u>	<u>945,224</u>	<u>3,791,112</u>
\$ 1,337,669	\$ 988,289	\$ 4,439,660

IONIA COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	SPECIAL REVENUE	DEBT SERVICE
REVENUES		
Taxes and special assessments	\$ 447,047	\$ 260,137
Intergovernmental	2,198,313	
Contributions from local units and private sources	15,497	532,112
Charges for services	802,545	
Fines and forfeits	39,947	
Lease income		89,450
Interest and rentals	17,143	11,192
Other revenues	<u>442,294</u>	
TOTAL REVENUES	<u>3,962,786</u>	<u>892,891</u>
EXPENDITURES		
Judicial	802,792	
General government	8,314	
Public safety	407,101	
Health and welfare	2,190,102	
Capital outlay		
Other	522,937	
Debt service		
Principal		620,000
Interest and fees		<u>246,266</u>
TOTAL EXPENDITURES	<u>3,931,246</u>	<u>866,266</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>31,540</u>	<u>26,625</u>
OTHER FINANCING SOURCES (USES)		
Proceeds of bond issues and loans		
Operating transfers in	682,350	
Operating transfers out	<u>(447,047)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>235,303</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	266,843	26,625
RESIDUAL EQUITY TRANSFER		
PRIOR PERIOD ADJUSTMENT	71,764	
FUND BALANCE, JANUARY 1	<u>901,958</u>	<u>241,029</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,240,565</u>	<u>\$ 267,654</u>

See accompanying notes to financial statements.

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$	\$	\$
		707,184
		2,198,313
14,653		547,609
		817,198
		39,947
30,227		89,450
	199,716	58,562
<u>44,880</u>	<u>199,716</u>	<u>642,010</u>
		5,100,273
		802,792
		8,314
		407,101
2,979,619		2,190,102
	494,979	2,979,619
		1,017,916
		620,000
<u>2,979,619</u>	<u>494,979</u>	<u>246,266</u>
		8,272,110
<u>(2,934,739)</u>	<u>(295,263)</u>	<u>(3,171,837)</u>
4,150,374		4,150,374
	345,880	1,028,230
<u>4,150,374</u>	<u>345,880</u>	<u>(447,047)</u>
		4,731,557
1,215,635	50,617	1,559,720
	117,449	117,449
		71,764
<u>122,034</u>	<u>777,158</u>	<u>2,042,179</u>
\$ <u>1,337,669</u>	\$ <u>945,224</u>	\$ <u>3,791,112</u>

IONIA COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2004

	SPECIAL ASSESSMENT DRAIN	ROAD COMMISSION	TOTAL
ASSETS			
Cash	\$ 1,153,381	\$ 526,674	\$ 1,680,055
Accounts receivable		8,383	8,383
Due from other governmental units		931,968	931,968
Prepaid expense		122,593	122,593
Inventory		306,360	306,360
Capital assets (net of accumulated depreciation)	<u>93,767</u>	<u>33,738,607</u>	<u>33,832,374</u>
TOTAL ASSETS	<u><u>\$ 1,247,148</u></u>	<u><u>\$ 35,634,585</u></u>	<u><u>\$ 36,881,733</u></u>
LIABILITIES			
Accounts payable	\$ 46	\$ 147,058	\$ 147,104
Retention payable		3,365	3,365
Accrued liabilities		54,326	54,326
Due to other governmental units		40,908	40,908
Advances and deposits	63,000	282,207	345,207
Accrued interest	15,156	14,896	30,052
Long-term liabilities			
Portion due within one year	428,211	255,792	684,003
Portion due after one year	<u>703,820</u>	<u>837,457</u>	<u>1,541,277</u>
TOTAL LIABILITIES	<u>1,210,233</u>	<u>1,636,009</u>	<u>2,846,242</u>
NET ASSETS			
Invested in capital assets, net of related debt	(1,038,264)	32,833,980	31,795,716
Restricted		181,509	181,509
Unrestricted	<u>1,075,179</u>	<u>983,087</u>	<u>2,058,266</u>
TOTAL NET ASSETS	<u>36,915</u>	<u>33,998,576</u>	<u>34,035,491</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,247,148</u></u>	<u><u>\$ 35,634,585</u></u>	<u><u>\$ 36,881,733</u></u>

See accompanying notes to financial statements.

IONIA COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2004

	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Component units			
Special assessment drain	\$ 463,371	\$ 29,101	\$
Road commission	<u>7,144,892</u>	<u>1,278,084</u>	<u>7,395,485</u>
Total Component Units	<u>\$ 7,608,263</u>	<u>\$ 1,307,185</u>	<u>\$ 7,395,485</u>
General Revenues			
Property taxes			
Licenses and permits			
Miscellaneous			
Unrestricted investment earnings			
Transfers			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets, January 1			
Net Assets, December 31			

See accompanying notes to financial statements.

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	SPECIAL ASSESSMENT DRAIN	ROAD COMMISSION	TOTAL
\$	\$ (434,270)	\$	\$ (434,270)
		1,528,677	1,528,677
\$	(434,270)	1,528,677	1,094,407
	311,266		311,266
		54,211	54,211
	150,842	83,564	234,406
	19,280	19,829	39,109
	64,899	64,000	128,899
	546,287	221,604	767,891
	112,017	1,750,281	1,862,298
	(75,102)	32,248,295	32,173,193
	\$ 36,915	\$ 33,998,576	\$ 34,035,491

IONIA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ionias County, Michigan was organized in 1837 and covers an area of approximately 575 square miles, with the county seat located in the City of Ionia. The County operates under an elected Board of Commissioners (seven members) and provides services to its more than 60,000 residents in many areas, including law enforcement, administration of justice, community enrichment and development and human services.

The accounting policies of the County of Ionia, Michigan conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity

All funds and account groups under direct control of the County are included in this report. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and Statement on Michigan Governmental Accounting and Auditing No.5.

The criteria established by GASB for determining which of the County's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the County.

Discretely Presented Component Units

The following entities are listed as discretely presented component units of the County in the component unit column to emphasize their legally separate status from the primary government. The County is financially accountable, and exclusion from the general-purpose financial statements would be misleading or incomplete.

Road Commission
Special Assessment Drains

Complete financial statements for each individual component unit may be obtained at the entity's administrative office.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the County of Ionia, Michigan and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for services. The primary government of the County of Ionia, Michigan is reported separately from certain legally separate component units for which the County of Ionia, Michigan, the primary government, is financially accountable.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

B. Government-Wide and Fund Financial Statements - Concluded

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to fund liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County of Ionia.

The County of Ionia reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

The County Health fund accounts for health and welfare projects.

The E-911 Central Dispatch fund accounts for the activities used to run and maintain the dispatch service.

The County of Ionia reports the following major proprietary funds:

The Delinquent Tax Revolving fund accounts for the activities of all delinquent tax payments.

The Airport fund accounts for the activities and operations of the County Airport.

Additionally, the County of Ionia reports the following fund types:

General designated fund is used to account for money set aside for capital projects.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

C. Measurement Focus, Basis of Accounting, and Financial Statements - Concluded

The Cemetery Trust fund is used to account for resources legally held in trust to be used for cemetery perpetual care. All earnings of the fund, including any earnings on invested resources, may be used to support the organization's activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County of Ionia has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Delinquent Tax Revolving, Airport, and other functions and segments.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services and privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County of Ionia's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Budgets

Budgets for the General and Special Revenue Funds are enacted by the County Board of Commissioners annually through passage of a resolution, which establishes appropriations and identifies resources to finance them. Budgets are enacted by activity and, more specifically, by personnel expenditures and supplies and services within activity. Unexpended appropriations lapse at each year end. Budgets for the General and Special Revenue Funds shown in the financial statements are adopted on the cash basis, which is not in conformity with U.S. generally accepted accounting principals.

E. Receivables

Receivables have been recognized for all significant amounts due the County. No allowances have been made for uncollectible amounts because, if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

F. Inventories

The inventory of supplies held by the Road Commission as of December 31, 2004 was determined by physical count and valued at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County of Ionia as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land improvement	10-20 years
Buildings	10-40 years
Equipment	5-20 years
Vehicles	3-10 years
Utility systems	10-40 years
Streets	20-25 years
Bridges	20-25 years
Sidewalks	20-25 years

H. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded**

I. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

J. Deposits and Investments

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents. All investments for both the primary government and all the component units are reported at fair value.

K. Compensated Absences

Liabilities for compensated absences are recorded in the Long-Term portion of Bonds and notes payable as these liabilities are not intended to be liquidated with expendable available financial resources.

L. Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary and fiduciary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

M. Fiscal Years Other Than December 31, 2004

The financial information presented in this report is for the year ended December 31, 2004, except for the County Health Fund, which has a September 30, 2004 year end.

N. Deferred Revenue

Deferred revenue recorded in the General Fund consists of the 2004 tax levy that was levied in 2004 and will be collected in 2004 and are not available for current year expenditures.

NOTE 2: **PROPERTY TAX**

The 2004 property tax revenue include property taxes levied principally on December 1, 2003, and substantially collected in early 2004. The "2003 property taxes" became a lien on December 1, 2003, and were collected by March 1, 2004, except for those taxes which were returned delinquent. The total 2003 levy for the County was \$5,340,825 for general operating purposes.

By agreement with various taxing authorities in the County, the County purchases at face value the real property taxes receivable which became delinquent on March 1, 2004. These taxes are recorded in an Enterprise Fund (\$906,502 at December 31, 2004).

NOTE 3: **INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables balances at December 31, 2004 are as follows:

FUND	DUE FROM	FUND	DUE TO
General Fund	\$ 809,238	County Health	\$
		State Revenue Sharing	447,047
		Trust and Agency	<u>362,191</u>
Subtotal	<u>809,238</u>	Subtotal	<u>809,238</u>
Revolving Drain	57,727	Special Assessment Drain	62,823
Drain Equipment			
Revolving	<u>5,096</u>		
Subtotal	<u>62,823</u>	Subtotal	<u>62,823</u>
General Fund			
Designated	574,024	General	571,276
		Brownfield Redevelopment	2,204
		Juvenile Justice Services	<u>544</u>
	<u>574,024</u>		<u>574,024</u>
	\$ <u>1,446,085</u>		\$ <u>1,446,085</u>

Interfund receivables do not equal interfund payables by \$25,119. This is a result of reporting the County Health Fund on a September 30, 2004 year end. The reconciling amounts are as follows:

FUND	DUE FROM	FUND	DUE TO
County Health	\$ <u>25,119</u>		\$
	\$ <u>1,471,204</u>		\$ <u>1,446,088</u>

RECONCILIATION TO STATEMENTS

Government funds	\$ <u>387,310</u>	Fiduciary	\$ <u>362,191</u>
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NOTE 4: **LONG-TERM OBLIGATIONS**

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended December 31, 2004.

	SPECIAL ASSESSMENT BONDS	GENERAL OBLIGATION BONDS	NOTES PAYABLE	COMPENSATED ABSENCES	OTHER LONG-TERM LIABILITIES
As of January 1, 2004	\$ 1,109,648	\$ 8,065,000	\$ 247,382	\$ 866,404	\$ 22,000
Additions (Reductions)	<u>22,383</u>	<u>3,415,000</u>	<u>(82,755)</u>	<u>57,071</u>	
As of December 31, 2004	\$ <u>1,132,031</u>	\$ <u>11,480,000</u>	\$ <u>164,627</u>	\$ <u>923,475</u>	\$ <u>22,000</u>

NOTE 4: **LONG-TERM OBLIGATIONS** – Continued

Long-term debt at December 31, 2004 is comprised of the individual issues:

	BALANCE JANUARY 1, 2004	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2004	DUE WITHIN ONE YEAR
Governmental Activities -				
Primary Government				
County of Ionia Sanitary Sewer Disposal System No. 1 Bonds, payable in increasing annual installments ranging from \$95,000 in 2004 to \$100,000 in 2006, plus interest at 5%	\$ 290,000	\$(95,000)	\$ 195,000	\$ 95,000
County of Ionia Water/Sewer Bond, payable in increasing annual installments ranging from \$100,000 in 2004 to \$1,400,000 in 2016, plus interest from 6.0% to 14.6%	\$ 3,500,000	\$(100,000)	\$ 3,400,000	\$ 100,000
Michigan State Revolving Loan Fund credit advances whereby Ionia Area Disposal System No. 1, Series 1990 Bonds are purchased by the Michigan Municipal Bond Authority, payable in variable annual installments ranging from \$370,000 in 2004 to \$415,000 in 2010, plus interest at 2%	2,750,000	(370,000)	2,380,000	375,000
Ionia County Health Department Building Refunding Bonds, Series 2004, payable in increasing annual installments ranging from \$55,000 in 2004 to \$75,000 in 2013, plus interest from 5.7% to 6.3%	620,000	(55,000)	565,000	55,000
County of Ionia Water/Sewer Improvement Bonds, payable in increasing annual installments ranging from \$75,000 in 2007 to \$300,000 in 2029, plus interest from 3.0% to 4.6%.	<u> </u>	<u>4,200,000</u>	<u>4,200,000</u>	<u> </u>
Total Primary Government	<u>\$ 7,160,000</u>	<u>\$ 3,580,000</u>	<u>\$ 10,740,000</u>	<u>\$ 625,000</u>

NOTE 4: **LONG-TERM OBLIGATIONS** – Continued

	BALANCE JANUARY 1, 2004	ADDITIONS (DEDUCTIONS)	BALANCE DECEMBER 31, 2004	DUE WITHIN ONE YEAR
Component Units				
1998 Michigan Transportation Fund Bonds, payable in variable annual installments ranging from \$165,000 in 2004 to \$200,000 in 2008, plus interest from 4.1% to 4.25%	\$ 905,000	\$(165,000)	\$ 740,000	\$ 170,000
2002 Road Commission installment loan, payable in various amounts ranging from \$40,528 in 2004 to \$30,396 in 2006, plus interest at 3.49%	106,051	(37,027)	69,024	38,648
2004 Road Commission installment loan, payable in various amounts ranging from \$50,272 in 2004 to \$50,124 in 2006, plus interest at 3.27%	141,331	(45,728)	95,603	47,144
Various Drainage District Bonds, payable in variable annual installments, plus interest from 4.09% to 5.47%, due February 2004 to June 2013	1,055,027	36,038	1,091,065	414,556
Collier-Mud Creek Intercounty Drain, payable in annual installments of \$13,655 from 2004 to 2007, plus interest from 4.3% to 4.8%	<u>54,621</u>	<u>(13,655)</u>	<u>40,966</u>	<u>13,655</u>
Total Component Units	<u>\$ 2,262,030</u>	<u>\$(225,372)</u>	<u>\$ 2,036,658</u>	<u>\$ 684,003</u>

The annual requirements to pay future principal and interest are as follows:

	GENERAL OBLIGATION BONDS	SPECIAL ASSESSMENT BONDS	NOTES PAYABLE CONTRACT	TOTAL
YEAR ENDING DECEMBER 31,				
2005 Principal	\$ 795,000	\$ 428,211	\$ 85,793	\$ 1,309,004
Interest	438,955	41,278	5,008	485,241
Total	1,233,955	469,489	90,801	1,794,245
2006 Principal	825,000	259,077	78,834	1,162,911
Interest	414,837	29,109	1,608	445,554
Total	1,239,837	288,186	80,442	1,608,465

NOTE 4: **LONG-TERM OBLIGATIONS** – Continued

		GENERAL OBLIGATION BONDS	SPECIAL ASSESSMENT BONDS	NOTES PAYABLE CONTRACT	TOTAL
YEAR ENDING DECEMBER 31,					
2007	Principal	\$ 870,000	\$ 118,077	\$	\$ 988,077
	Interest	389,197	19,989		409,186
	Total	1,259,197	138,066		1,397,263
2008	Principal	885,000	66,689		951,689
	Interest	363,432	14,849		378,281
	Total	1,248,432	81,538		1,329,970
2009	Principal	700,000	66,689		766,689
	Interest	336,724	11,836		348,560
	Total	1,036,724	78,525		1,115,249
2010	Principal	750,000	66,688		816,688
	Interest	313,967	7,520		321,487
	Total	1,063,967	74,208		1,138,175
2011	Principal	340,000	59,800		399,800
	Interest	296,820	4,459		301,279
	Total	636,820	64,259		701,079
2012	Principal	395,000	59,800		454,800
	Interest	283,009	1,762		284,771
	Total	678,009	61,562		739,571
2013	Principal	395,000	7,000		402,000
	Interest	266,828	322		267,150
	Total	661,828	7,322		669,150
Thereafter					
	Principal	5,525,000			5,525,000
	Interest	2,090,125			2,090,125
	Total	7,615,125			7,615,125
TOTAL					
	Principal	11,480,000	1,132,031	164,627	12,776,658
	Interest	5,193,894	131,124	6,616	5,331,634
	Total	16,673,894	1,263,155	171,243	18,108,292

There are a number of limitations and restrictions contained in the various bond indentures. The County is in compliance with all significant limitations and restrictions.

The Michigan Department of Transportation Notes are collateralized by the full faith and credit of the County. Principal and interest are intended to be paid from the collection of monies from the Michigan Department of Transportation.

The County of Ionia Sanitary Sewage Disposal System No. 1 Bonds are collateralized primarily by the full faith and credit of the City of Ionia and the Townships of Easton and Ionia under contract with the County and secondarily by the full faith and credit of the County. Principal and interest is payable solely out of contractual payments required from the local units.

NOTE 4: LONG-TERM OBLIGATIONS - Concluded

The Michigan State Revolving Loan Fund program is a line of credit arrangement up to \$6,475,000 with interest guaranteed at 2%. The borrowings are collateralized by the full faith and credit of the City of Ionia and the Townships of Ionia, Berlin, Easton and Orange under contract with the County. Principal and interest is intended to be paid out of contractual payments required from the local units.

The Ionia County Health Department Building Refunding Bonds are collateralized by the full faith and credit of the County. Principal and interest are intended to be paid from the collection of cash rental payments from the County to the Ionia County Building Authority.

The Collier-Mud Creek Intercounty Drain are collateralized by the full faith and credit of the County. Principal and interest are intended to be paid from collection of special assessments levied against benefitted properties in the drainage district.

The Drainage District bonds are collateralized in full by special assessments levied against benefitted properties located in the respective districts. Principal and interest are intended to be paid from the collection of these special assessments.

The Ionia County Water/Sewer Improvement bonds are collateralized by the full faith and credit of the County. Principal and interest are intended to be paid from the collection of special assessments levied against benefitted properties in the drainage district. The drainage district is owned by the City of Ionia.

NOTE 5: COMPENSATED ABSENCES

Compensated absences included in general long-term debt account group at December 31, 2004 are liabilities for accumulated vacation and sick benefits detailed as follows:

Friend of the Court	\$ 53,436
Road Commission	166,622
County general employees	306,917
Sheriff Department employees	220,507
Public Health employees	93,983
Commission on Aging employees	51,529
Central Dispatch employees	<u>30,481</u>
	<u>\$ 923,475</u>

NOTE 6: CONTINGENCIES

There are various legal actions pending against the County. Due to the inconclusive nature of these actions, it is not possible for County management to determine the ultimate outcome of these actions nor a reasonable estimate of the County's potential liability, if any, beyond coverage provided through insurance or recorded liabilities. Management of the County is of the opinion that the ultimate resolution of such actions will not have a material effect on the financial position of the County.

As disclosed in the Combined Financial Statements, the County receives significant financial assistance from the State of Michigan and the federal government. The County's ability to continue operations at current levels may be dependent upon continued support from the state and federal governments.

The County has purchased liability insurance through a municipal group self insurance pool. The pool's liability limit for the County is \$15,000,000 per occurrence. The County is liable for the first \$75,000 per occurrence of coverage through this self-insurance pool. As of December 31, 2004, ending balance in the self-insurance pool was \$61,252, with reported reserves of \$44,854.

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

COUNTY OF IONIA

Plan Description

The County participates in the County of Ionia Pension Plan, a single employer defined benefit pension plan that covers all employees of the County, except the Sheriff's Department and Central Dispatch. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The County of Ionia Pension Plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the County of Ionia, 100 West Main Street, Courthouse, Ionia, Michigan 48846.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the County, and requires a contribution from the employees of 3% of annual compensation and by the employer for any other required amounts.

Annual Pension Cost

For the year ended December 31, 2004 the County's annual pension cost of \$166,622 for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.5% investment rate of return, and (b) projected salary increase of 3.5 percent per year. Both (a) and (b) include an inflation component of 0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a one year period.

	FISCAL YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Annual pension cost	\$ 152,792	\$ 135,030	\$ 127,252
Percentage of APC contributed	55.2%	62.4%	56.8%
Net pension obligation	223,538	237,365	186,617
Actuarial value of assets	3,697,777	3,489,774	3,425,599
Actuarial Accrued Liability (entry age)	4,465,742	4,004,238	3,785,826
Overfunded Actuarial Accrued Liability	(767,965)	(514,461)	(360,227)
Funded ratio	1.00	.87	.90
Covered payroll	2,964,635	2,372,364	2,225,146
OAAL as a percentage of covered payroll	(25.9)%	(21.7)%	(16.2)

SHERIFF DEPARTMENT

Plan Description

The Sheriff Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all union employees of the Sheriff's Department. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the County of Ionia, 100 West Main Street, Courthouse, Ionia, Michigan 48846.

NOTE 7: **DEFINED BENEFIT PENSION PLAN** - Continued

SHERIFF DEPARTMENT - Concluded

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Sheriff Department's competitive bargaining units, and requires a contribution from the employees of 3% of gross wages and by the employer for any other required amounts.

Annual Pension Cost

For the year ended December 31, 2003 the Sheriff Department's annual pension cost of \$107,150 for the plan was equal to the Sheriff Department's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 8% investment rate of return, and (b) projected salary increase of 4.5 to 8.7 percent per year. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a ten year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 35 years.

	FISCAL YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Annual pension cost	\$ 107,150	\$ 49,364	\$ 86,660
Percentage of APC contributed	100%	100.0%	100.0%
Net pension obligation			
Actuarial value of assets	1,622,394	1,351,437	1,040,502
Actuarial Accrued Liability (entry age)	1,860,710	1,484,466	1,315,769
Unfunded Actuarial Accrued Liability	238,316	133,029	165,006
Funded ratio	.87	.91	.79
Covered payroll	1,739,539	1,687,791	1,557,713
UAAL as a percentage of covered payroll	13.7%	7.9%	10.6%

CENTRAL DISPATCH

Plan Description

In 1998, the Central Dispatch began participating in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all but three employees of the Central Dispatch. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the County of Ionia, 100 West Main Street, Courthouse, Ionia, Michigan 48846.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Central Dispatch's competitive bargaining units, and requires a contribution from the employees of 6.17% of gross wages and by the employer for any other required amounts.

NOTE 7: **DEFINED BENEFIT PENSION PLAN – Concluded**

CENTRAL DISPATCH - Concluded

Annual Pension Cost

For the year ended December 31, 2004 the Central Dispatch's annual pension cost of \$32,270 for the plan was equal to the Central Dispatch's required and actual contribution. The annual required contribution was determined based on estimates at December 31, 2002. Significant actuarial assumptions used include (a) an 8% investment rate of return, and (b) projected salary increase of 4.5 to 8.7 percent per year. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a ten year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 35 years.

	FISCAL YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Annual pension cost	\$ 32,270	\$ 30,657	\$ 28,571
Percentage of APC contributed	100.0%	100.0 %	100.0 %
Net pension obligation			
Actuarial value of assets	328,660	234,780	163,926
Actuarial Accrued Liability (entry age)	546,286	477,796	332,688
Unfunded Actuarial Accrued Liability	217,623	243,016	252,004
Funded ratio	.60	.49	.24
Covered payroll	385,201	424,550	431,259
UAAL as a percentage of covered payroll	56.5%	57.2%	58.4%

NOTE 8: **COMPLIANCE WITH STATE BUDGET ACT**

P.A. 621 of 1978, as amended, requires that a local unit of government adopt a budget for the general, and special revenue. The County adopts budgets for only the general and special revenue funds. P.A. 621 also provides that a local unit shall not incur expenditures in excess of amounts appropriated. For the year ended December 31, 2004, the actual expenditures exceeded final budgeted amounts for the following funds:

	BUDGET	ACTUAL EXPENDITURES	VARIANCE (UNFAVORABLE)
Special Revenue			
Court's Security	\$ 64,091	\$ 136,343	\$(72,252)
Corrections Training	4,420	6,420	(2,000)

NOTE 9: **CASH AND CASH INVESTMENTS**

Cash resources from individual funds are combined to form a pool of cash deposits which is managed by the County Treasurer. Cash deposits consisted primarily of certificates of deposit, money-market savings accounts and checking accounts which are carried at cost.

NOTE 9: **CASH AND CASH INVESTMENTS - Continued**

The cash equity of the various funds at December 31, 2004 was as follows:

FUND	COMMON CASH	OTHER (INCLUDING IMPREST CASH OF \$2,258)	RESTRICTED CASH	TOTAL
General	\$	\$ 1,225	\$	\$ 1,225
County Park	18,908			18,908
Friend of the Court	55,321	200		55,521
County Health*	382,337			382,337
Resource Recovery	3,837			3,837
CMET Grant	28,266			28,266
Payroll		28,759	23,248	52,007
Current Tax Collection		857,722		857,722
Register of Deeds Automation	68,974			68,974
General Fund Designated	126,273			126,273
Budget Stabilization	5,000			5,000
Specially Designated				
Community Contribution	13,037			13,037
E-911 Central Dispatch		440,229		440,229
Drug Forfeiture	34,694			34,694
Vehicle Forfeiture Fund	3,307			3,307
Special Investigative	2,462	533		2,995
Building Inspector	297,677			297,677
Juvenile Accountability Block Grant	906			906
Law Library	2,735			2,735
Aging	96,584	11,479		108,063
Community Development Block Grant		19,706		19,706
Child care	11,810			11,810
Soldiers' and Sailors' Relief	6,958			6,958
Veterans' Trust	487			487
Court's Security Fund	296,168			296,168
Bond Redemption		1,216		1,216
Water/Sewer Bond Redemption		19,343		19,343
Health Building Debt		247,095		247,095
Road Commission		526,674		526,674
Water/Sewer Construction		1,198,731		1,198,731
Johnson Road Improvement	138,938			138,938
Airport Fund	27,973			27,973
Revolving Drain				
Delinquent Tax Revolving		6,508,279		6,508,279
Drain Equipment Revolving	11,724			11,724
Trust and Agency		636,914	113,631	750,545
Cemetery Trust		287,992		287,992
Library Penal		224,558		224,558
County Drain	<u>1,141,657</u>			<u>1,141,657</u>
TOTAL CASH	<u>\$ 2,776,033</u>	<u>\$ 11,010,655</u>	<u>\$ 136,879</u>	<u>\$ 13,923,567</u>

*As of 12-31-04 since part of common cash

NOTE 9: **CASH AND CASH INVESTMENTS – Concluded**

RECONCILIATION TO STATEMENTS

	COMMON CASH	OTHER CASH	RESTRICTED CASH	TOTAL
Governmental funds	\$ 1,594,679	\$ 2,227,749	\$	\$ 3,822,428
Proprietary funds				
Enterprise	27,973	6,508,279		6,536,252
Fiduciary funds		1,747,953	136,879	1,884,832
Component units	<u>1,153,381</u>	<u>526,674</u>	<u></u>	<u>1,680,055</u>
TOTAL CASH	\$ <u>2,776,033</u>	\$ <u>11,010,655</u>	\$ <u>136,879</u>	\$ <u>13,923,567</u>

COMMON
CASH

FINANCIAL STATEMENT PRESENTATION

Cash and cash investments	\$ 6,587,585
Cash and cash investments – Agency funds	1,884,832
Investments	<u>5,567,081</u>
	14,039,498
Timing difference in County	
Health Cash Balance	(<u>115,931</u>)
	<u>\$ 13,923,567</u>

Investments

State statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper within the three highest rate classifications by at least two rating services, repurchase agreements collateralized by U.S. Government securities, bankers' acceptances and mutual funds composed of investments which are legal for direct investment by local units of government in Michigan.

As of December 31, 2004, the carrying amount and bank balance for each type of account is as follows:

ACCOUNT TYPE	BOOK BALANCE	BANK BALANCE
Cash/bank accounts	\$ 7,165,191	\$ 7,720,183
Federal home loan	5,962,627	5,962,627
Certificates of deposit	795,749	795,749

The County's investments (and cash deposits) are categorized as follows to give an indication of the level of credit risk assumed by the County. Category 1 includes deposits and investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the brokers' or dealers' trust department or agent in the County's name. U.S. Treasury Bills are categorized for credit risk.

The County has adopted a formal investment policy – as required by Act 20 PA 1943 as amended - that complies with state law.

	CATEGORY 1	CATEGORY 2
Insured deposits	\$ <u>1,909,491</u>	\$ <u>12,569,068</u>

NOTE 10: **ADVANCES TO OTHER FUNDS**

To provide the Revolving Drain Fund and Drain Equipment Revolving with operating funds, the General Fund has provided long-term advances to these funds. These advances are not expected to be repaid during the current year and therefore a portion of the General Fund's fund balance has been reserved to indicate that the amounts receivable as advances to the other funds do not constitute "available spendable resources" since they are not a component of net current assets.

NOTE 11: **OPERATING TRANSFERS**

OPERATING FUND	TRANSFERS IN	OPERATING FUND	TRANSFERS OUT
County Drain	\$ 64,899	General	\$ 922,368
Law Library	2,000		
Child Care	650,000		
County Health*	131,436		
Resource Recovery	30,000		
Soldiers' and Sailors' relief	<u>350</u>		<u> </u>
Subtotal	<u>878,685</u>	Subtotal	<u>922,368</u>
General	<u>447,047</u>	State Shared Revenue	<u>447,047</u>
Road Commission	64,000	Delinquent Tax Revolving	429,880
Airport	20,000		
General Fund Designated	<u>345,880</u>		<u> </u>
Subtotal	<u>429,880</u>	Subtotal	<u>429,880</u>
TOTAL	<u>\$ 1,755,612</u>	TOTAL	<u>\$ 1,799,295</u>

*The County Health Fund is reported in a year end that is different than that of the General Fund. This results in a timing difference in operating transfers as described below:

OPERATING FUND	TRANSFERS IN	OPERATING FUND	TRANSFERS OUT
County Health*	\$ <u>43,683</u>		\$ <u> </u>
	<u>\$ 1,799,295</u>		<u>\$ 1,799,295</u>

NOTE 12: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains two Enterprise Funds: the Airport Fund and Delinquent Tax Revolving. Segment information for the year ended December 31, 2004 is as follows:

	AIRPORT	DELINQUENT TAX REVOLVING
Operating revenues	\$ 33,263	\$ 183,617
Operating expenses	152,223	48,625
Operating income (loss)	(118,960)	134,992
Operating transfers in	20,000	
Operating transfers out		(429,880)
Net income (loss)	(98,960)	63,924
Working capital	24,348	7,416,733
Retained earnings	1,414,603	7,416,733
Total assets	1,418,228	7,416,733

NOTE 13: FUND EQUITY

Retained earning/fund balances have been reserved to indicate that portion of the fund equity which has been legally segregated for specific purposes. The following are reserved retained earning balances as of December 31, 2004:

GENERAL

Reserved for long-term advances \$ 63,000

DEBT SERVICE

Bond Redemption fund \$ 19,343
 Health Building Debt fund 247,095
 2001 Water/Sewer Bond Redemption 1,216
 \$ 267,654

SPECIAL REVENUE

E-911 Central Dispatch \$ 89,520

CAPITAL PROJECTS FUND

Johnson Road Improvement \$ 138,938
 Capital Projects 1,198,731
 \$ 1,337,669

PERMANENT

Cemetery trust \$ 278,316

ENTERPRISE

Delinquent Tax Fund
 Reserved for airport grant match \$ 20,000
 Reserved for capital improvements 345,880
 Reserved for Road Commission roadside brush cleaning 64,000
 Reserved for Facilities 250,000
 \$ 679,880

COMPONENT UNITS

County Drain Fund \$ 1,081,561
 Road Commission 181,509
 \$ 1,263,070

NOTE 14: CAPITAL ASSETS

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	JANUARY 1, 2004	ADDITIONS	DELETIONS	DECEMBER 31, 2004
Capital assets not being depreciated				
Land	\$ <u>331,075</u>	\$ _____	\$ _____	\$ <u>331,075</u>
Capital assets being depreciated				
Buildings	6,239,784	3,560		6,243,344
Improvements	1,274,762	129,163		1,403,925
Machinery and equipment	<u>1,151,834</u>	<u>282,808</u>	<u>80,748</u>	<u>1,353,894</u>
Total Capital assets being depreciated	<u>8,666,380</u>	<u>415,531</u>	<u>80,748</u>	<u>9,001,163</u>
Less: Accumulated Depreciation				
Buildings	1,941,236	123,364		2,064,600
Improvements	434,195	28,901		463,096
Machinery and equipment	<u>574,637</u>	<u>169,856</u>	<u>37,544</u>	<u>706,549</u>
Total Accumulated Depreciation	<u>2,950,068</u>	<u>322,121</u>	<u>37,544</u>	<u>3,234,645</u>
Total Capital Assets being depreciated - Net	<u>5,716,312</u>	<u>93,410</u>	<u>43,204</u>	<u>5,766,518</u>
NET CAPITAL ASSETS	\$ <u>6,047,387</u>	\$ <u>93,410</u>	\$ <u>43,204</u>	\$ <u>6,097,593</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ 44,199
Judicial	28,740
Health and Welfare	64,086
Public Safety	<u>185,096</u>
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	\$ <u>322,121</u>

NOTE 14: **CAPITAL ASSETS** - Continued

A summary of the asset activity for the governmental activity component unit is as follows:

	JANUARY 1, 2004	ADDITIONS	DELETIONS	DECEMBER 31, 2004
COMPONENT UNIT				
Capital assets not being depreciated				
Land	\$ 79,821	\$	\$	\$ 79,821
Land improvements	9,185,541	898,964		10,084,505
Right of ways	<u>80,000</u>	<u></u>	<u></u>	<u>80,000</u>
Total Capital Assets not being depreciated	<u>9,345,362</u>	<u>898,964</u>	<u></u>	<u>10,244,326</u>
Capital assets being depreciated				
Building and improvements	2,471,967	10,255		2,482,222
Equipment	5,518,956	384,669	226,347	5,677,278
Infrastructure	32,747,005	3,052,819	1,178,589	34,621,235
Depletable assets	<u>10,080</u>	<u></u>	<u></u>	<u>10,080</u>
Total Capital Assets being depreciated	<u>40,748,008</u>	<u>3,447,743</u>	<u>1,404,936</u>	<u>42,790,815</u>
Less: Accumulated Depreciation				
Buildings	605,074	70,060		675,134
Equipment	4,411,150	461,476	223,867	4,648,759
Infrastructure	<u>12,808,483</u>	<u>2,248,980</u>	<u>1,178,589</u>	<u>13,878,874</u>
Total Accumulated Depreciation	<u>17,824,707</u>	<u>2,780,516</u>	<u>1,402,456</u>	<u>19,202,767</u>
Total Capital Assets being depreciated	<u>22,923,301</u>	<u>667,227</u>	<u>2,480</u>	<u>23,588,048</u>
NET CAPITAL ASSETS	<u>\$ 32,268,663</u>	<u>\$ 1,566,191</u>	<u>\$ 2,480</u>	<u>\$ 33,832,374</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 210,060	\$	\$	\$ 210,060
Capital assets being depreciated				
Buildings	177,909			177,909
Equipment	4,016			4,016
Improvements	<u>1,707,261</u>	<u></u>	<u></u>	<u>1,707,261</u>
Total Capital Assets being depreciated	<u>1,889,186</u>	<u></u>	<u></u>	<u>1,889,186</u>

NOTE 14: **CAPITAL ASSETS - Concluded**

Capital assets for business-type activities have been summarized as follows:

	JANUARY 1, 2004	ADDITIONS	DELETIONS	DECEMBER 31, 2004
BUSINESS-TYPE ACTIVITIES - Concluded				
Less: Accumulated Depreciation				
Buildings	\$ 133,569	\$ 1,710	\$	\$ 135,279
Machinery and equipment	4,016			4,016
Improvements	<u>456,037</u>	<u>113,659</u>	<u> </u>	<u>569,696</u>
Total Accumulated Depreciation	<u>593,622</u>	<u>115,369</u>	<u> </u>	<u>708,991</u>
Total Capital Assets being depreciated	<u>1,295,564</u>	<u>(115,369)</u>	<u> </u>	<u>1,180,195</u>
NET CAPITAL ASSETS	<u>\$ 1,505,624</u>	<u>\$ (115,369)</u>	<u>\$</u>	<u>\$ 1,390,255</u>

Depreciation expense for business-type activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
Airport	\$ <u>115,369</u>

NOTE 15: **PRIOR PERIOD ADJUSTMENT**

General	
Correction of prior year deferred revenue	\$ 82,753
Friend of the Court	
Income received in 2004 for 2003 not recorded as a receivable	60,004
Aging	
To record cash account	11,760

NOTE 16: **RESIDUAL EQUITY TRANSFER**

TRANSFERS IN		TRANSFERS OUT	
General fund designated	\$ <u>117,449</u>	General	\$ <u>117,449</u>
To adjust for receivables in 2003 in general fund that were recorded in the general fund designated in 2004.			

NOTE 17: **SUBSEQUENT EVENT**

On May 3, 2005, the County closed on the Hartwell Drain bonds for \$685,000.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with local government, and any other activity for which a special fund has not been created.

IONIA COUNTY, MICHIGAN
STATEMENT OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PROPERTY TAXES	\$ 5,230,000	\$ 5,243,478	\$ 13,478
LICENSES AND PERMITS	106,000	116,075	10,075
FEDERAL AND STATE GRANTS			
Civil Defense emergency services	8,000	6,375	(1,625)
Prosecuting Attorney reimbursement	57,000	68,639	11,639
LEPC Grant	600	4,800	4,200
Court standardization and reimbursement	315,000	340,646	25,646
Circuit Court reimbursement	249,191	218,449	(30,742)
Secondary road patrol	103,864	103,864	
Marine safety	5,700	5,149	(551)
Remonumentation	41,921	41,921	
State shared revenues	1,277,803	664,958	(612,845)
Liquor inspection	8,200	9,104	904
Cigarette tax	29,676	35,379	5,703
Other grants	154,939	147,150	(7,789)
Other reimbursements	63,050	53,932	(9,118)
TOTAL FEDERAL AND STATE GRANTS	2,314,944	1,700,366	(614,578)
CHARGES FOR SERVICES			
District Court - civil and oversight fees	137,000	128,529	(8,471)
District - costs, bond forfeitures and assessments	880,724	731,261	(149,463)
Register of Deeds	600,000	541,408	(58,592)
Sheriff	471,123	446,771	(24,352)
County Clerk	43,000	55,142	12,142
Circuit Court	60,000	66,769	6,769
Equalization	5,000	3,612	(1,388)
Probate Court	187,218	189,649	2,431
Animal shelter	15,000	14,244	(756)
Friend of the Court processing fee	7,000	7,554	554
Juvenile Court	72,213	66,562	(5,651)
Prosecuting Attorney	40,000	18,459	(21,541)
Drain Commissioner	18,512	16,783	(1,729)
Other services	10,300	13,489	3,189
TOTAL CHARGES FOR SERVICES	2,547,090	2,300,232	(246,858)

IONIA COUNTY, MICHIGAN
STATEMENT OF REVENUES - BUDGET AND ACTUAL - Concluded
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
FINES AND FORFEITURES			
Ordinance fines and costs	\$ 175,000	\$ 160,341	\$ (14,659)
Bond forfeitures	<u>22,000</u>	<u>17,594</u>	<u>(4,406)</u>
TOTAL FINES AND FORFEITURES	<u>197,000</u>	<u>177,935</u>	<u>(19,065)</u>
INTEREST AND RENTS			
Interest	100,000	80,372	(19,628)
Rents	<u>6,000</u>	<u>7,011</u>	<u>1,011</u>
TOTAL INTEREST AND RENTS	<u>106,000</u>	<u>87,383</u>	<u>(18,617)</u>
OTHER REVENUES	<u>253,836</u>	<u>306,657</u>	<u>52,821</u>
TOTAL REVENUES	<u>\$ 10,754,870</u>	<u>\$ 9,932,126</u>	<u>\$ (822,744)</u>

IONIA COUNTY, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
LEGISLATIVE			
Board of Commissioners	\$ <u>83,175</u>	\$ <u>77,238</u>	\$ <u>5,937</u>
JUDICIAL			
Circuit Court	502,357	482,974	19,383
District Court	797,192	738,822	58,370
Jury Commission	5,150	4,763	387
Attorney/Jury/Witness	21,100	19,802	1,298
Probate Court	489,347	476,504	12,843
Juvenile Court	<u>366,389</u>	<u>356,314</u>	<u>10,075</u>
TOTAL JUDICIAL	<u>2,181,535</u>	<u>2,079,179</u>	<u>102,356</u>
GENERAL GOVERNMENT			
Administration	180,881	176,014	4,867
Elections	90,600	89,880	720
Finance	172,275	165,284	6,991
County Clerk	135,311	129,174	6,137
Equalization	176,886	172,607	4,279
Prosecuting Attorney	459,713	449,237	10,476
Register of deeds	172,607	167,014	5,593
County Treasurer	176,445	169,615	6,830
Data processing	130,500	126,977	3,523
Courthouse and grounds	550,284	529,214	21,070
Drain Commissioner	133,391	129,676	3,715
Cooperative extension service	175,156	159,542	15,614
Human resources	19,125	18,678	447
Miscellaneous	<u>97,600</u>	<u>85,174</u>	<u>12,426</u>
TOTAL GENERAL GOVERNMENT	<u>2,670,774</u>	<u>2,568,086</u>	<u>102,688</u>
PUBLIC SAFETY			
Fleet maintenance	36,000	35,736	264
Sheriff	1,127,200	1,083,046	44,154
Marine safety	6,800	6,377	423
Secondary road patrol	117,162	114,967	2,195
Jail	1,641,027	1,574,967	66,060
Emergency service	97,169	81,152	16,017
Public works	1,300	1,409	(109)
Animal shelter	153,877	147,062	6,815
Drug enforcement	63,786	63,019	767
Community corrections	<u>61,720</u>	<u>69,401</u>	<u>(7,681)</u>
TOTAL PUBLIC SAFETY	<u>3,306,041</u>	<u>3,177,136</u>	<u>128,905</u>

IONIA COUNTY, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - Concluded
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
HEALTH AND WELFARE			
Medical examiner	\$ 65,500	\$ 69,864	\$ (4,364)
Veterans' burial	34,029	30,874	3,155
Contagious disease	3,000	1,429	1,571
Substance abuse	<u>140,278</u>	<u>57,176</u>	<u>83,102</u>
TOTAL HEALTH AND WELFARE	<u>242,807</u>	<u>159,343</u>	<u>83,464</u>
OTHER EXPENDITURES			
Soil conservation	10,000	11,600	(1,600)
Planning commission	60,947	56,154	4,793
Record copying			
Insurance and bonding	1,468,300	1,404,755	63,545
Remonumentation	41,921	41,921	
Economic development	55,000	55,000	
Miscellaneous	<u>172,125</u>	<u>172,058</u>	<u>67</u>
TOTAL OTHER EXPENDITURES	<u>1,808,293</u>	<u>1,741,488</u>	<u>66,805</u>
TOTAL EXPENDITURES	<u>\$ 10,292,625</u>	<u>\$ 9,802,470</u>	<u>\$ 490,155</u>

SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory provisions to pay for certain activities with some special form of continuing revenues.

Special Revenue Funds in Ionia County are:

- County Park
- Friend of the Court
- Corrections Training
- Brownfield Redevelopment Authority
- State Revenue Sharing
- Budget Stabilization
- Specifically Designated Community Contribution
- Special Investigative
- Resource Recovery
- Building Inspector
- Vehicle Forfeiture Fund
- Law Library
- Aging
- Community Development Block Grant
- Juvenile Accountability Block Grant
- Juvenile Justice Services
- Child Care
- Soldiers' and Sailors' Relief
- Drug Forfeiture
- Veterans' Trust
- Court's Security
- Register of Deeds Automation

IONIA COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2004

	COUNTY PARK	FRIEND OF THE COURT	CORRECTIONS TRAINING	BROWNFIELD REDEVELOPMENT AUTHORITY
ASSETS				
Cash and cash equivalents	\$ 18,908	\$ 55,521	\$ 28,266	\$
Accounts receivable				
Due from other governmental units		310,576		2,204
Prepaid expenses				
TOTAL ASSETS	<u>\$ 18,908</u>	<u>\$ 366,097</u>	<u>\$ 28,266</u>	<u>\$ 2,204</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 218	\$ 399	\$ 2,000	\$
Due to other funds				2,204
Deferred revenue				
Accrued payroll	814	10,243		
TOTAL LIABILITIES	<u>1,032</u>	<u>10,642</u>	<u>2,000</u>	<u>2,204</u>
FUND BALANCE				
Unrestricted	<u>17,876</u>	<u>355,455</u>	<u>26,266</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 18,908</u>	<u>\$ 366,097</u>	<u>\$ 28,266</u>	<u>\$ 2,204</u>

STATE REVENUE SHARING	BUDGET STABI- LIZATION	SPECIFICALLY DESIGNATED COMMUNITY CONTRIBUTION	SPECIAL INVESTIGATIVE	RESOURCE RECOVERY
\$ 447,047	\$ 5,000	\$ 13,037	\$ 2,995	\$ 3,837
				5,128
<u>\$ 447,047</u>	<u>\$ 5,000</u>	<u>\$ 13,037</u>	<u>\$ 2,995</u>	<u>\$ 8,965</u>
\$ 447,047	\$	\$	\$	\$ 31
		3,588		
<u>447,047</u>	<u></u>	<u>3,588</u>	<u></u>	<u>661</u>
				692
<u></u>	<u>5,000</u>	<u>9,449</u>	<u>2,995</u>	<u>8,273</u>
<u>\$ 447,047</u>	<u>\$ 5,000</u>	<u>\$ 13,037</u>	<u>\$ 2,995</u>	<u>\$ 8,965</u>

IONIA COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS - Continued
DECEMBER 31, 2004

	BUILDING INSPECTOR	VEHICLE FORFEITURE FUND	LAW LIBRARY	AGING
ASSETS				
Cash and cash equivalents	\$ 297,677	\$ 3,307	\$ 2,735	\$ 108,063
Accounts receivable				
Due from other governmental units				
Prepaid expenses				6,351
TOTAL ASSETS	<u>\$ 297,677</u>	<u>\$ 3,307</u>	<u>\$ 2,735</u>	<u>\$ 114,414</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 64	\$	\$	\$ 37,763
Due to other funds				
Deferred revenue				
Accrued payroll	152			14,540
TOTAL LIABILITIES	<u>216</u>			<u>52,303</u>
FUND BALANCE				
Unrestricted	<u>297,461</u>	<u>3,307</u>	<u>2,735</u>	<u>62,111</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 297,677</u>	<u>\$ 3,307</u>	<u>\$ 2,735</u>	<u>\$ 114,414</u>

COMMUNITY DEVELOPMENT BLOCK GRANT	JUVENILE ACCOUNTABILITY BLOCK GRANT	JUVENILE JUSTICE SERVICES	CHILD CARE	SOLDIERS' & SAILORS' RELIEF	DRUG FORFEITURE
\$ 19,706	\$ 906	\$	\$ 11,810	\$ 6,958	\$ 34,694
28,490		1,107	66,096		
<u>\$ 48,196</u>	<u>\$ 906</u>	<u>\$ 1,107</u>	<u>\$ 77,906</u>	<u>\$ 6,958</u>	<u>\$ 34,694</u>
\$ 6,246	\$	\$ 544	\$	\$	\$ 2,316
<u>6,246</u>	<u></u>	<u>544</u>	<u>1,597</u>	<u></u>	<u>2,316</u>
<u>41,950</u>	<u>906</u>	<u>563</u>	<u>76,309</u>	<u>6,958</u>	<u>32,378</u>
<u>\$ 48,196</u>	<u>\$ 906</u>	<u>\$ 1,107</u>	<u>\$ 77,906</u>	<u>\$ 6,958</u>	<u>\$ 34,694</u>

IONIA COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS - Concluded
DECEMBER 31, 2004

	VETERANS' TRUST	COURT'S SECURITY	REGISTER OF DEEDS AUTOMATION	TOTAL
ASSETS				
Cash and cash equivalents	\$ 487	\$ 296,168	\$ 68,974	\$ 979,049
Accounts receivable				447,047
Due from other governmental units				413,601
Prepaid expenses				6,351
TOTAL ASSETS	<u>\$ 487</u>	<u>\$ 296,168</u>	<u>\$ 68,974</u>	<u>\$ 1,846,048</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$	\$ 73,996	\$ 224	\$ 123,257
Due to other funds				449,795
Deferred revenue				3,588
Accrued payroll		836		28,843
TOTAL LIABILITIES		<u>74,832</u>	<u>224</u>	<u>605,483</u>
FUND BALANCE				
Unrestricted	<u>487</u>	<u>221,336</u>	<u>68,750</u>	<u>1,240,565</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 487</u>	<u>\$ 296,168</u>	<u>\$ 68,974</u>	<u>\$ 1,846,048</u>

IONIA COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NON-MAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	COUNTY PARK	FRIEND OF THE COURT	CORRECTIONS TRAINING	BROWNFIELD REDEVELOPMENT AUTHORITY
REVENUES				
Property taxes	\$	\$	\$	\$
Federal and state grants		707,982		2,204
Fines and forfeitures		24,122		
Interest and rents	15,810			
Charges for services	8,153		32,686	
Contributions from private sources				
Other	8,829	55,084		
TOTAL REVENUES	<u>32,792</u>	<u>787,188</u>	<u>32,686</u>	<u>2,204</u>
EXPENDITURES				
Judicial		659,923		
General government				
Health and welfare				
Public safety			6,420	
Other	82,088			2,204
TOTAL EXPENDITURES	<u>82,088</u>	<u>659,923</u>	<u>6,420</u>	<u>2,204</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	<u>(49,296)</u>	<u>127,265</u>	<u>26,266</u>	
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Operating transfers out				
TOTAL OTHER FINANCING SOURCES (USES)				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(49,296)	127,265	26,266	
FUND BALANCE, JANUARY 1	67,172	168,186		
PRIOR PERIOD ADJUSTMENT		60,004		
FUND BALANCE, DECEMBER 31	<u>\$ 17,876</u>	<u>\$ 355,455</u>	<u>\$ 26,266</u>	<u>\$</u>

STATE REVENUE SHARING	BUDGET STABI- LIZATION	SPECIFICALLY DESIGNATED COMMUNITY CONTRIBUTION	SPECIAL INVESTIGATIVE	RESOURCE RECOVERY
\$ 447,047	\$	\$	\$	\$ 47,575
				7,326
		15,363		134
<u>447,047</u>	<u></u>	<u>15,363</u>	<u></u>	<u>1,359</u>
				56,394
		17,008		92,150
<u></u>	<u></u>	<u>17,008</u>	<u></u>	<u>92,150</u>
<u>447,047</u>	<u></u>	<u>(1,645)</u>	<u></u>	<u>(35,756)</u>
<u>(447,047)</u>	<u></u>	<u></u>	<u></u>	30,000
<u>(447,047)</u>	<u></u>	<u></u>	<u></u>	30,000
		(1,645)		(5,756)
	5,000	11,094	2,995	14,029
<u>\$</u>	<u>\$ 5,000</u>	<u>\$ 9,449</u>	<u>\$ 2,995</u>	<u>\$ 8,273</u>

IONIA COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NON-MAJOR SPECIAL REVENUE FUNDS - Continued

FOR THE YEAR ENDED DECEMBER 31, 2004

	BUILDING INSPECTOR	VEHICLE FORFEITURE FUND	LAW LIBRARY	AGING
REVENUES				
Property taxes	\$	\$	\$	\$
Federal and state grants				1,189,125
Fines and forfeitures		4,600	9,046	
Interest and rents				
Charges for services	457,259			
Contributions from private sources				
Other				155,723
TOTAL REVENUES	<u>457,259</u>	<u>4,600</u>	<u>9,046</u>	<u>1,344,848</u>
EXPENDITURES				
Judicial				
General government			8,314	
Health and welfare				1,342,627
Public safety	379,614	1,543		
Other				
TOTAL EXPENDITURES	<u>379,614</u>	<u>1,543</u>	<u>8,314</u>	<u>1,342,627</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	<u>77,645</u>	<u>3,057</u>	<u>732</u>	<u>2,221</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in			2,000	
Operating transfers out				
TOTAL OTHER FINANCING SOURCES (USES)			<u>2,000</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	77,645	3,057	2,732	2,221
FUND BALANCE, JANUARY 1	219,816	250	3	48,130
PRIOR PERIOD ADJUSTMENT				11,760
FUND BALANCE, DECEMBER 31	\$ <u>297,461</u>	\$ <u>3,307</u>	\$ <u>2,735</u>	\$ <u>62,111</u>

COMMUNITY DEVELOPMENT BLOCK GRANT	JUVENILE ACCOUNTABILITY BLOCK GRANT	JUVENILE JUSTICE SERVICES	CHILD CARE	SOLDIERS' & SAILORS' RELIEF	DRUG FORFEITURE
\$ 28,893	\$ 896	\$ 6,219	\$ 213,011	\$	\$
212,461					2,179 548
<u>68,576</u>	<u>896</u>	<u>6,219</u>	<u>52,958</u>	<u> </u>	<u> </u>
<u>309,930</u>	<u>896</u>	<u>6,219</u>	<u>265,969</u>	<u> </u>	<u>2,727</u>
	487	6,039			
			844,804		2,516
<u>307,850</u>	<u>487</u>	<u>6,039</u>	<u>844,804</u>	<u> </u>	<u>2,516</u>
<u>307,850</u>	<u>487</u>	<u>6,039</u>	<u>844,804</u>	<u> </u>	<u>2,516</u>
<u>2,080</u>	<u>409</u>	<u>180</u>	<u>(578,835)</u>	<u> </u>	<u>211</u>
			650,000	350	
			<u>650,000</u>	<u>350</u>	
2,080	409	180	71,165	350	211
39,870	497	383	5,144	6,608	32,167
<u>41,950</u>	<u>906</u>	<u>563</u>	<u>76,309</u>	<u>6,958</u>	<u>32,378</u>

IONIA COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NON-MAJOR SPECIAL REVENUE FUNDS - Concluded

FOR THE YEAR ENDED DECEMBER 31, 2004

	VETERANS' TRUST	COURT'S SECURITY	REGISTER OF DEEDS AUTOMATION	TOTAL
REVENUES				
Property taxes	\$	\$	\$	\$ 447,047
Federal and state grants	2,408			2,198,313
Fines and forfeitures				39,947
Interest and rents			785	17,143
Charges for services			84,660	802,545
Contributions from private sources				15,497
Other		99,765		442,294
TOTAL REVENUES	<u>2,408</u>	<u>99,765</u>	<u>85,445</u>	<u>3,962,786</u>
EXPENDITURES				
Judicial		136,343		802,792
General government				8,314
Health and welfare	2,671			2,190,102
Public safety				407,101
Other			38,645	522,937
TOTAL EXPENDITURES	<u>2,671</u>	<u>136,343</u>	<u>38,645</u>	<u>3,931,246</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	<u>(263)</u>	<u>(36,578)</u>	<u>46,800</u>	<u>31,540</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				682,350
Operating transfers out				(447,047)
TOTAL OTHER FINANCING SOURCES (USES)				<u>235,303</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(263)	(36,578)	46,800	266,843
FUND BALANCE, JANUARY 1	750	257,914	21,950	901,958
PRIOR PERIOD ADJUSTMENT				<u>71,764</u>
FUND BALANCE, DECEMBER 31	<u>\$ 487</u>	<u>\$ 221,336</u>	<u>\$ 68,750</u>	<u>\$ 1,240,565</u>

CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources expended to acquire assets of a relatively permanent nature. These funds satisfy the special accounting requirements for bond proceeds and projects utilizing more than one funding source.

Capital Projects Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables them to report to creditors, and other grantors of Capital Projects Fund Revenue, that their requirements regarding the use of the revenue were fully satisfied.

In this category, Ionia County administers the transactions of the Johnson Road Improvement and BPW Water/Sewer Construction.

IONIA COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2004

	JOHNSON ROAD IMPROVEMENT	BPW WATER / SEWER CONSTRUCTION	TOTAL
ASSETS			
Cash and cash investments	\$ <u>138,938</u>	\$ <u>1,198,731</u>	\$ <u>1,337,669</u>
FUND BALANCE			
Reserved for capital expenditures	\$ <u>138,938</u>	\$ <u>1,198,731</u>	\$ <u>1,337,669</u>

IONIA COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NON-MAJOR CAPITAL PROJECTS FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	JOHNSON ROAD IMPROVEMENT	BPW WATER / SEWER CONSTRUCTION	TOTAL
REVENUES			
Interest and rents	\$ 2,251	\$ 27,976	\$ 30,227
Charges for services	<u>14,653</u>	<u>14,653</u>	<u>14,653</u>
TOTAL REVENUES	<u>16,904</u>	<u>27,976</u>	<u>44,880</u>
EXPENDITURES			
Capital outlay	<u> </u>	<u>2,979,619</u>	<u>2,979,619</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,904	(2,951,643)	(2,934,739)
OTHER FINANCING SOURCES			
Bond proceeds	<u> </u>	<u>4,150,374</u>	<u>4,150,374</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	16,904	1,198,731	1,215,635
FUND BALANCE, JANUARY 1	<u>122,034</u>	<u> </u>	<u>122,034</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 138,938</u></u>	<u><u>\$ 1,198,731</u></u>	<u><u>\$ 1,337,669</u></u>

PERMANENT FUNDS

The permanent funds exist to account for resources legally held in trust to be used for General Fund Designated and Cemetery Trust.

IONIA COUNTY, MICHIGAN

BALANCE SHEET

PERMANENT FUNDS

DECEMBER 31, 2004

	GENERAL FUND DESIGNATED	CEMETERY TRUST	TOTAL
ASSETS			
Cash and cash equivalents	\$ 126,273	\$ 287,992	\$ 414,265
Due from other funds	<u>574,024</u>	<u></u>	<u>574,024</u>
TOTAL ASSETS	\$ <u><u>700,297</u></u>	\$ <u><u>287,992</u></u>	\$ <u><u>988,289</u></u>
LIABILITIES			
Accounts payable	\$ <u>43,065</u>	\$ <u></u>	\$ <u>43,065</u>
FUND BALANCE			
Reserved for cemetery trust		278,316	278,316
Reserved for capital projects	657,232		657,232
Unreserved	<u></u>	<u>9,676</u>	<u>9,676</u>
TOTAL FUND BALANCE	<u><u>657,232</u></u>	<u><u>287,992</u></u>	<u><u>945,224</u></u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>700,297</u></u>	\$ <u><u>287,992</u></u>	\$ <u><u>988,289</u></u>

IONIA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
PERMANENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	GENERAL FUND DESIGNATED	CEMETARY TRUST	TOTAL
REVENUES			
Other	\$ <u>197,814</u>	\$ <u>1,902</u>	\$ <u>199,716</u>
EXPENDITURES			
Other	<u>494,979</u>	<u> </u>	<u>494,979</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(297,165)</u>	<u>1,902</u>	<u>(295,263)</u>
OTHER FINANCING SOURCES			
Operating transfers in	<u>345,880</u>	<u> </u>	<u>345,880</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	48,715	1,902	50,617
FUND BALANCE, JANUARY 1	491,068	286,090	777,158
RESIDUAL EQUITY TRANSFER	<u>117,449</u>	<u> </u>	<u>117,449</u>
FUND BALANCE, DECEMBER 31	\$ <u><u>657,232</u></u>	\$ <u><u>287,992</u></u>	\$ <u><u>945,224</u></u>

COMPONENT UNITS

A discretely presented component unit is an entity that is legally separate from the County, but for which the County is financially accountable or its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete.

Component units of Ionia County are:

Road Commission

Brisbin Village Drain

County Drain Fund

Drain Equipment Revolving Fund

General Long-Term Debt

IONIA COUNTY, MICHIGAN
COMPONENT UNITS
COMBINING BALANCE SHEET
DECEMBER 31, 2004

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>INTERNAL SERVICE</u>	<u>ACCOUNT GROUP</u>		
	<u>ROAD COMMISSION</u>	<u>BRISBIN VILLAGE DRAIN FUND</u>	<u>COUNTY DRAIN FUND</u>	<u>DRAIN EQUIPMENT REVOLVING</u>	<u>GENERAL LONG-TERM DEBT</u>	<u>TOTAL</u>
ASSETS						
Cash and cash equivalents	\$ 526,674	\$	\$ 1,141,657	\$ 11,724	\$	\$ 1,680,055
Due from other funds		57,727	2,727	5,096		65,550
Due from other units	931,968					931,968
Accounts receivable	8,383					8,383
Prepaid expenses	49,590					49,590
Inventory	306,360					306,360
Amount to be provided for retirement of general long-term debt					1,132,031	1,132,031
TOTAL ASSETS	<u>\$ 1,822,975</u>	<u>\$ 57,727</u>	<u>\$ 1,144,384</u>	<u>\$ 16,820</u>	<u>\$ 1,132,031</u>	<u>\$ 4,173,937</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Long-term advances	\$ 282,207	\$ 55,000	\$	\$ 8,000	\$	\$ 345,207
Accounts payable	147,058			46		147,104
Retention payable	3,365					3,365
Accrued liabilities	54,326					54,326
Due to other funds		2,727	62,823			65,550
Due to other units	40,908					40,908
Bonds and notes payable					1,132,031	1,132,031
TOTAL LIABILITIES	<u>527,864</u>	<u>57,727</u>	<u>62,823</u>	<u>8,046</u>	<u>1,132,031</u>	<u>1,788,491</u>
FUND EQUITY						
Reserved	181,509		1,081,561			1,263,070
Unreserved						
Designated	134,021			8,774		142,795
Undesignated	979,581					979,581
TOTAL FUND EQUITY	<u>1,295,111</u>	<u></u>	<u>1,081,561</u>	<u>8,774</u>	<u></u>	<u>2,385,446</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,822,975</u>	<u>\$ 57,727</u>	<u>\$ 1,144,384</u>	<u>\$ 16,820</u>	<u>\$ 1,132,031</u>	<u>\$ 4,173,937</u>



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
County of Ionia
Ionia, Michigan

We have audited the general purpose financial statements of the COUNTY OF IONIA, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated June 9, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County of Ionia, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of County of Ionia in a separate letter dated June 9, 2005.

This report is intended for the information of the management, and the Board of Commissioners and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountants

East Lansing, Michigan
June 9, 2005

IONIA COUNTY, MICHIGAN

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	
	ROAD COMMISSION	COUNTY DRAIN FUND	TOTAL
REVENUES			
Taxes	\$	\$ 311,266	\$ 311,266
Licenses and permits	54,211		54,211
Intergovernmental	7,395,485		7,395,485
Charges for services	1,278,084		1,278,084
Other	83,564	150,842	234,406
Interest	19,829	19,280	39,109
TOTAL REVENUES	<u>8,831,173</u>	<u>481,388</u>	<u>9,312,561</u>
EXPENDITURES			
Maintenance	8,685,327	511,017	9,196,344
Principal payment	247,755	386,118	633,873
Interest and fiscal charges	45,820	47,419	93,239
TOTAL EXPENDITURES	<u>8,978,902</u>	<u>944,554</u>	<u>9,923,456</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(147,729)</u>	<u>(463,166)</u>	<u>(610,895)</u>
OTHER FINANCING SOURCES			
Operating transfers in	64,000	64,899	128,899
Proceeds from bonds issued		408,500	408,500
TOTAL OTHER FINANCING SOURCES	<u>64,000</u>	<u>473,399</u>	<u>537,399</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(83,729)</u>	<u>10,233</u>	<u>(73,496)</u>
FUND BALANCE, JANUARY 1	<u>1,378,840</u>	<u>1,071,328</u>	<u>2,450,168</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,295,111</u>	<u>\$ 1,081,561</u>	<u>\$ 2,376,672</u>

IONIA COUNTY, MICHIGAN
 COMPONENT UNITS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
 DRAINAGE DISTRICTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	INTERNAL <u>SERVICE</u> DRAIN EQUIPMENT REVOLVING
OPERATING REVENUES	
Charges for services	\$ <u>29,101</u>
OPERATING EXPENSES	
Supplies and other operating expenses	<u>20,327</u>
NET INCOME	8,774
RETAINED EARNINGS, JANUARY 1	<u> </u>
RETAINED EARNINGS, DECEMBER 31	\$ <u><u>8,774</u></u>

IONIA COUNTY, MICHIGAN

AUDITORS' REPORTS ON THE
INTERNAL CONTROL STRUCTURE

FOR THE YEAR ENDED DECEMBER 31, 2004

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AUDITORS' LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Commissioners
Ionia County
Ionia, Michigan

We have audited the financial statements of Ionia County for the year ended December 31, 2004, and have issued a separate report dated June 10, 2005 on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of Ionia County. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of Ionia County is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and those transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation of the internal accounting control system would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Ionia County.

PRIOR YEARS' RECOMMENDATIONS

We made the following recommendations concerning internal control weaknesses during prior years' audits:

SEGREGATION OF DUTIES

We recommended that the department heads establish policies which would provide for periodic detailed review of all accounting procedures on a random basis. We realize that the resources and personnel are limited so this is not always possible.

FINANCIAL STATEMENT PRESENTATION SHOULD BE COMPLETE

The supplemental data section of the County's financial statements for prior years and for the current year does not include a Combining Statement of Changes in Assets and Liabilities – All Agency Funds. This statement is required by the Michigan Department of Treasury. **Management response: This recommendation has not been implemented.**

CASH RECEIPTS

District Court

District Court keeps track of cash receipts manually. We recommend that the daily cash receipts be recorded on a computer spreadsheet. This would also eliminate the need for manual calculation, which would reduce the chance of error, and possibly save time. **Management response: Currently using spreadsheet, but writing information in by hand. The employees at the District Court will be trained how to use Excel.**

PRIOR YEARS' RECOMMENDATIONS - Continued

CASH RECEIPTS - Continued

District Court - Concluded

The person who collects the money is the same individual who makes the daily deposit. Two or three individuals should perform collecting, recording, and making the daily deposit. This would reduce the risk that receipts could be improperly deposited or lost, and provide better controls over the deposits. **Management response: This has not been implemented. The same person performs these duties. However, the person doing these duties is changed each week; they rotate these duties from person to person each week. In 2005, one employee will make the deposit slip and another employee will take it to the bank. The employees will switch duties weekly.**

Building Inspection

Currently, the Building Inspection revenues and expenditures are recorded in the General Fund. In order to comply with the State of Michigan laws, a new special revenue fund should be set up to account for the Building Department's revenues and expenditures. **This will be implemented in 2005.**

Commission On Aging

There are four employees who handle cash in the office and make their own deposits to the Treasurer's office. We recommend spot-checking and/or double checking the employees work more often. The deposits should be checked by the Director before going to the Treasurer. This will verify the correctness of the deposits. **Management response: This will be implemented.**

Equalization

1. The cash box is currently left unlocked. We recommend that the cash box be locked at all times to prevent theft. **This has been implemented.**
2. Currently, checks received are not being stamped "For Deposit Only" immediately after receipt. We recommend that all checks be stamped "For Deposit Only" immediately upon receipt. This will help prevent fraud and theft. **This has been implemented.**
3. Receipts are being given only to those customers who ask for them. We recommend that a receipt be made out for any cash received. This will improve the paper trail and allow for an easier reconciliation of the cash box. **This recommendation has been implemented.**
4. Deposits are only being made once a month and one month was missed. We recommend that the deposits be made more frequently. This will ensure that all cash has been transmitted in a timely manner. **Management response: This recommendation will be implemented. The Equalization Department will make the deposit every Friday.**

County Parks

1. Monies received are not being kept in a secure place. We recommend that the desk drawer be locked or lockbox be used to help prevent theft. **This recommendation has been implemented.**
2. Deposits are not being made in a timely manner. We recommend that the deposits be made once a week with the Treasurer's office. This will eliminate a large accumulation of cash and help to prevent theft. **This recommendation has been implemented.**
3. Receipts are being given only to those customers who ask for them. We recommend that a receipt be made out for any cash received. This will improve the paper trail and allow for an easier reconciliation of the cash box. **This recommendation has been implemented.**
4. There is currently no way to trace each individual receipt to the deposit. We recommend a spreadsheet be created. This sheet should list all of the checks and cash received for the week and should be in balance. This will provide accurate records and a paper trail. **This recommendation has been implemented.**

PRIOR YEARS' RECOMMENDATIONS – Concluded

CASH RECEIPTS - Concluded

Building Department

1. We noted during our audit that deposits to the Treasurer are not being made in a timely manner. We recommend making weekly deposits that are in balance with the back up documentation. This recommendation will improve controls over cost. **This has been implemented.**
2. The receipts are not in numerical order from beginning of the year to the end of the year. Rather, the receipts have different numbers for building permits, plumbing permits, mechanical permits, and electrical permits. We recommend that the receipts be in numerical order. This will make it easier to find information on the past receipts and decrease the chance of missing or lost receipts. **This has been implemented.**

Animal Shelter

Deposits are not made in a timely manner and the receipts from the Treasurer's office are not kept. This created problems in tying out the cash receipts from the Animal Shelter to the Treasurer's office. There were differences noted in the individual deposits to the Treasurer's office. Management was unable to explain the differences as they did not keep the receipts from the Treasurer's office. We recommend that the County further investigate these differences. We also recommend keeping the receipts from the Treasurer's office and making more timely deposits. This will help to ensure the cash receipts from the Animal Shelter agree with the Treasurer's office, and reduces the chances of cash/checks being lost or misplaced. **This has been implemented.**

Probate Court

We noted during our audit that one person is responsible for handling all the cash receipts. We recommend that one person opens the mail and another person prepare the deposit for the Treasurer. We also recommend that the person who reconciles the cash drawer and compares it to the computer report be separate from the person who takes money either over the counter or opens the mail. This person should also be independent from the person who takes the deposit to the Treasurer's office. We recommend that someone compare the Treasurer's receipt to the reconciliation. This person should be independent of the reconciliation function and the person who takes the deposit to the Treasurer's office. This recommendation will provide better controls over the cash receipt area and increase segregation of duties. **Management response: This was not implemented in 2004 due to change in Judges. This will be implemented in 2005.**

PAYROLL

1. Currently, many employee files have missing deduction forms. Many files are also missing current approved pay rates. We recommend that a signed deduction form be in every employee file for any additional deduction on their paycheck. We also recommend that all pay increases including the annual COLA increase be included in the employee files. This will help to ensure that each employee is receiving the correct pay. **Management response: This will be implemented. The pay rates are now in the files. Many deduction authorization forms were found in another area. Some deduction authorization forms were still missing. We recommend placing the deduction authorization forms that were found into the appropriate employee files. Also, have new forms filled out for the deduction authorization forms that are still missing.**
2. Many of the W-4's in the employee files were outdated. We recommend that all employees fill out a new W-4 at least every three years. This will provide employees the opportunity to modify income tax withholdings to properly reflect their current circumstances. **This has been implemented.**
3. One person performs all the functions for payroll. There is currently no verification of input, pay rates, hours paid, deductions or employees. All payroll changes need to be reviewed by the Finance Director to verify rates, employees and deductions. The Officer should also review the payroll check runs and compare the authorized hours to the hours paid. The signed paychecks should be distributed by someone independent of the payroll function. This will help to eliminate the possibility of payments being made to fictitious employees, or for the wrong amounts. **This has been implemented.**

PRIOR YEARS' RECOMMENDATIONS – Concluded

DISBURSEMENTS

General

One person enters the vouchers and reviews their own work. When the checks are sent down for a signature, the voucher packet is not sent with the checks. The checks are then given back to the original person for sorting. The Treasurer's office receives the checks to mail. There is no verification that disbursements have been properly authorized. We recommend that someone other than the check preparer review the voucher packs for approval. This will help prevent the possibility of unauthorized payments. **This has been implemented.**

Sheriff's Department

1. Currently, any Correction Officer, Sergeant, or Lieutenant can sign checks. We recommend having two of the authorized signers sign each check. This will help to prevent fraud. **This recommendation has been implemented.**
2. The commissary fund's order sheets are not kept. We recommend keeping the original Swanson order sheet that the inmates sign to authorize withdrawals from their accounts. This will help provide appropriate records and accurate backup if there are any disputes made by the inmates. **This has been implemented.**

CURRENT YEAR RECOMMENDATIONS

We make the following recommendations concerning internal control weaknesses during the current year audit:

CASH RECEIPTS

District Court

1. During our audit, we noted that the stamp used for the receipt of checks states "For Deposit Only". We recommend the stamp also include the name of the bank, the name of the account, the account number, and the department.
2. During our audit, we noted that activity for two cash accounts for District Court are not being recorded in the General Ledger. We recommend that the activity in these other cash accounts be recorded, as well as the cash accounts, in the General Ledger. This is necessary to provide accurate and complete records and financial statements.

Inmate Trust

We noted during our audit that the inmate trust bank account's activity is not being recorded on the General Ledger. We recommend this activity be recorded in the General Ledger. This is necessary to provide accurate and complete records and financial statements.

Flexible Spending

We noted during our audit that the flexible spending bank account is not being recorded on the General Ledger. We recommend this activity be recorded in the General Ledger. This is necessary to provide accurate and complete records and financial statements.

CASH DISBURSEMENTS

District Court

The checks are given to authorized signers without any back-up. We recommend the court files go with the checks for signing. This will improve controls over cash disbursements and will help to increase segregation of duties.

CURRENT YEARS' RECOMMENDATIONS - Concluded

CASH DISBURSEMENTS - Concluded

Commission on Aging

1. The same person who creates the checks is one of the two authorized check signers and also reconciles the bank statement. We recommend the person who reconciles the bank statement be independent of these duties. This will improve controls over cash disbursements and increase segregation of duties.
2. Invoices are assumed to be approved when they are submitted for payment. We recommend the person who is submitting the invoice initial and date the invoice to approve it for payment. This will increase controls over cash disbursements and help to verify only authorized payments are made.
3. During our testing, we noted a payroll check was processed through the "Special Events" checking account. We recommend turning in all the payroll information to the Finance Department to be processed with the rest of the payroll.
4. During our audit we noted that activity in the Special Events cash accounts is not being recorded in the General Ledger. We recommend that the activity in this cash accounts be recorded, as well as the cash account into the General Ledger. This is necessary to provide accurate and complete records and financial statements.

Electronic Funds Transfer

We noted during our audit that electronic fund transfers for MERS do not receive an approval before the amount is transferred. We recommend the Treasurer either print the invoice from MERS and take it to the County Administrator for approval before transferring the money or the bank call the County Administrator for approval before the bank transfer the money. This will increase controls over electronic funds transfers.

GENERAL

Health Department

We noted during our audit that both the Finance Department and the Health Department record the General Ledger activity for the Health Department. Therefore, there are two sets of books. We recommend the Finance Department keep the books for the Health Department.

We are grateful to the County employees for their assistance and cooperation extended to us during the audit.



Certified Public Accountants

East Lansing, Michigan
June 9, 2005

IONIA COUNTY, MICHIGAN

SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
County of Ionia
Ionia, Michigan

Compliance

We have audited the compliance of Ionia County, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. Ionia County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ionia County, Michigan's management. Our responsibility is to express an opinion on Ionia County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about Ionia County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ionia County, Michigan's compliance with those requirements.

In our opinion, Ionia County, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Ionia County, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, the Board of Commissioners and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
June 9, 2005

IONIA COUNTY, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT PERIOD FROM	TO	FEDERAL EXPENDITURES
<u>U.S. Department of Health and Human Services</u>				
Passed through State Department of Health:				
Family Planning - Services*	93-004	10-1-03	9-30-04	\$ 50,222
	93-217			
Child Well Being*	93-778			
Health Education*	93-001			
Infant Health Initiative Program*	93-004			
Bioterrorism*	93-283	10-1-03	9-30-04	119,000
Passed through State Offices of Services to the Aging:				
Special Programs for the Aging - Title III, Part B	93-044	10-1-03	9-30-04	104,845
Special Programs for the Aging - Title III, Part C	93-045/10-550	10-1-03	9-30-04	208,036
Passed through State Department of Social Services:				
Crippled Children*	93-778	10-1-03	9-30-04	5,473
Immunization Action Plan*	93-268	10-1-03	9-30-04	26,583
Friend of the Court Cooperative Reimbursement	93-563	1-1-04	12-31-04	328,101
Friend of the Court Child Support Enforcement	93-563	1-1-04	12-31-04	22,438
Prosecuting Attorney Cooperative Reimbursement	93-563	1-1-04	12-31-04	45,302
Incentive Payments - Friend of the Court	93-560	1-1-04	12-31-04	109,099
Maternal & Child Health Service Block Grant	93-994			<u>71,615</u>
 TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				 <u>1,090,714</u>
<u>U.S. Department of Agriculture</u>				
Passed through Department of Agriculture:				
Supplemental Food Program for Women, Infants and Children*	10.557	10-1-03	9-30-04	159,520
Clean Sweep	66.505	10-1-04	9-30-05	13,395
Groundwater Stewardship Technical Assistance	10.918	10-1-04	9-30-05	9,200
		10-1-03	9-30-04	19,200
Groundwater Stewardship Cost Share	10.918	10-1-03	9-30-04	<u>5,780</u>
 TOTAL DEPARTMENT OF AGRICULTURE				 <u>207,095</u>

*These are 9/30/04 year ends.

IONIA COUNTY, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - Concluded
FOR THE YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT PERIOD FROM TO	FEDERAL EXPENDITURES
<u>U.S. Federal Emergency Management Agency</u>			
Passed through Department of State Police:			
Emergency Services	83.552	10-1-03 9-30-04	\$ 6,375
Homeland Security	97.004	5-1-03 12-31-04	4,307
		1-1-04 12-31-04	24,373
		8-1-04 9-30-05	38,800
		3-1-04 2-28-05	36,723
Local Emergency Preparednes	20.703		<u>4,800</u>
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			<u>115,378</u>
<u>U.S. Department of Justice</u>			
Passed through Office of Community Oriented Police Services –			
Local Law Enforcement Block Grant	16.580	10-1-03 9-30-04	<u>11,156</u>
U.S. Department of Transportation			
Highway Safety	20.600	1-1-04 12-31-04	<u>6,417</u>
<u>U.S. Department of Commerce</u>			
Passed through State Department of Commerce			
Community Development Block Grant –			
Federal Home Grant	14.239	5-1-02 4-30-04	84,099
Community Development Block Grant –			
Small Cities Program	14.219	11-1-02 12-31-04	<u>160,880</u>
TOTAL DEPARTMENT OF COMMERCE			<u>244,979</u>
<u>U.S. Environmental Protection Agency</u>			
Brownfield Redevelopment Cooperative Agreement	66.818		<u>2,204</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,677,943</u>

IONIA COUNTY, MICHIGAN
NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: AIRPORT PROJECT GRANT

Ionía County received two block grants funded by the Federal Aviation Administration for the consultant design and the construction of the Runaway 9/27 rehabilitation and extension project. The consultants and contractors are paid directly by the Michigan Department of Transportation and, therefore, the County does not record the grant revenue. The total federal funds paid out for this project in fiscal year 2004 of \$748,626 are not included on the Schedule of Federal Financial Awards.

IONIA COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a unqualified opinion on the general purpose financial statements of Ionia County.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Ionia County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported.
5. The auditor's report on compliance for the major federal award programs for Ionia County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Ionia County.
7. The programs tested as major programs included: Cooperative Reimbursement, CFDA No. 93.563, Supplemental Food Program for Women, Infants and Children CFDA No. 10.557, and Community Development Block Grant - Small Cities Program CFDA No. 14.219.
8. The threshold for distinguishing Types A and B programs was \$500,000.
9. County of Ionia was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

IONIA COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004

PROGRAM	FINDINGS/NONCOMPLIANCE	QUESTIONED COSTS
Title IV-D Child Support Enforcement (CFDA No. 93.563)	Several reports were filed after the due dates. This is mostly due to the fact that the reports are due to the State by the 10 th day of the following month and that is not enough time to close the books and do the report.	0